FINANCIAL TIMES

No. 26,724 Tuesday July 22 1975 **10p

CONTINENTAL SELLING PRICES: AUSTRIA Sch.13; BELGIUM Fr.20; DENMARK Kr.2.75; FRANCE Fr.2.20; GERMANY DM1.70; ITALY L.300; NETHERLANDS Fl.1.50; NORWAY Kr.2.75; PORTUGAL Esc.15.00; SPAIN Pes.30; SWEDEN Kr.2.50; SWITZERLAND Fr.1.50.

NEWS SUMMARY

GENERAL

MP 'in jail writ drama'

Mr. John Stonehouse's latest application for bail, before a judge in chambers, was dismissed. Mr. Selwyn Lloyd, the Speaker, yesterday told the Commons that he had received a letter from the runaway Labour MP asking permission to make a personal statement to the House on his return to London from Australia.

It is presumed the letter was written from Australia. The Speaker did not give its date.

Mrs. Barbara Stonehouse said her husband was concerned about an incident at Brixton Jail when there was a struggle while a solicitor tried to serve a writ on him. Mr. Kenneth Jones, a solicitor for London Capital Group, a fringe banking concern founded by Mr. Stonehouse, said the MP shouted out that he did not want to see him and ran towards a door, which was locked and barred.

Prison officers tried to get him to sit down, but he kicked at one of them, Mr. Jones claimed. The Home Office declined to comment.
Parliament, Page 9

Minister resigns

Mr. Robert Hughes, Under-Secretary at the Scottish Office, has resigned over the Government's economic policies, the first Minister to do so. His departure followed Mr. Healey's statement that next year's public expenditure plans imply an absolute reduction in real terms. In a letter to Mr. Wilson, Mr. Hughes says that Government policy now is fundamentally different to Labour proposals put forward at the last two elections.

Tougher laws for motorists

Motorists face a trebling of the fixed penalty for parking illegally and other road traffic offences to £6 from September 1. Page 7. If their road crash injuries are caused by not wearing a seat belt, the damages awarded should be reduced, the Appeal Court ruled.

Pay self-denial

GLC Director-General Mr. James Swaffield says he will forgo his controversial £4,000 a year pay rise, and have his salary linked to that of senior civil servants. Page 13

Reservoir probe

Emergency procedures are to be "very fully examined" after a 36-hour delay in warning the public of contamination of a Lancashire reservoir at the week-end, the Environment Minister of State told the Commons.

Advice for judges

The Home Secretary has set up a working party to review arrangements for the training of judges and "supplying information to sentencers." A Bill on bail procedures in the next Parliamentary session will require the giving of reasons where an accused is remanded in custody.

Move on Sinai

Israel has offered to give up the Abu Rudeis oil fields in the Sinai desert in its latest peace proposal to Egypt, according to its ambassador to the U.S.
Page 5

Briefly . . .

The Soviet cosmonauts in Soyuz-19 returned to earth after successfully completing their role in the world's first international manned space venture.

Leeds Crown Court acquitted Miss Evelyn Hudson of aiding and abetting her sister to commit suicide.

Sir John Hall, 63-year-old Tory MP for Wycombe, collapsed in the Commons just after he had spoken for 20 minutes in the debate on the anti-inflation White Paper.

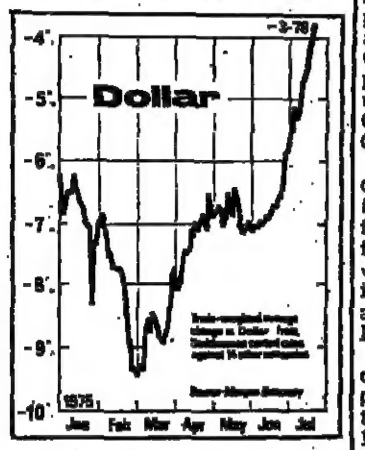
BUSINESS

Equities and gilts both lack incentive

● EQUITIES lacked incentive, drifting lower throughout the day, until an "after hours" rally lifted many leaders off the bottom. The FT 30-share index, down 4.8 at 2 p.m., ended the day a net 2.3 lower at 296.6.

● GILTS showed a similar pattern, easing lower before steadying later. Longs and mediums ended ¼ down, while shorts were mixed.

● STERLING improved 5 points to $2.1755; its weighted depreciation was 26.5 (26.6) per cent.



Dollar's fall again narrowed to 3.78 (4.01) per cent.—the best since last September.

● GOLD fell 25 cents to $164.50.

● ON WALL STREET, spill-over profit-taking from last week and New York City's financial squeeze pushed the index down 7.67 to 854.74.

● FT COMMODITY INDEX reached 179.80, its highest since February 17. The day's rise of 8.99 was one of the biggest recorded.
Page 27

West is 'poised for recovery'

● WESTERN world is poised for a recovery from recession, says the OECD. Initially the improvement will be moderate and unemployment a year ahead at best is likely to be unchanged.
Page 7

● DEVALUATION of the "green pound" may not apply to beef until January 1, to avoid adding to the already large EEC beef "mountain."
Back Page

● INDUSTRIE PIRELLI, Italian arm of the Dunlop-Pirelli Union, yesterday presented a five-year company reorganisation plan to the unions.

● XEROX Corporation announced in New York that it is withdrawing from the manufacture and sale of main frame digital computers over the next year. In London, Rank Organisation, which has a tie with Xerox, deferred its half-year statement until to-day.

Bank counts 'lifeboat' cost

● BANK OF ENGLAND has made special provisions of £9.78m. to cover possible losses on its share of the secondary bank "lifeboat" support operation."
Back Page

● NEWSPAPER publishers, already taking strong measures to offset inflationary pressures, may well be faced with higher newsprint costs before the end of the year.
Page 7

● WESTLAND AIRCRAFT is to raise £4.4m. in a "rights" issue. The company says that its major shareholder—John Brown and Company with a 21.4 per cent. stake—has yet to decide whether to take up the offer.
Page 18 and Lex

● SINGAPORE Stock Exchange is to investigate dealings in the shares of Haw Par Brothers International.
Page 20

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Benson's Intnl. Syst.	180	+ 78
Eucalyptus Pulp Mills	24	+ 4
Furness Withy	250	+ 5
NET	48	+ 5
Rotork	68	+ 3
York Trailer	81	+ 4
FALLS		
BATS	305	− 10
Barclays Bank	250	− 6
Boots	192	− 5
British Sugar	335	− 10
Channel Tunnel	25	− 12
DRG	93	− 5
Elbar Inds.	105	− 10
Haggas (J.)	215	− 20
Hawthorn Leslie	28	− 3
Hoffnung (S.)	97	− 6
Huletts	305	− 20
Kitchen (R.) Taylor	50	− 5
Natnl. Westminster	210	− 6
Paradise (B.)	12	− 5
Renold	122	− 5
Rothschild Invest.	370	− 8
Royal Insurance	276	− 6
Rugby Cement	59	− 3
Taylor Woodrow	266	− 8
Unilever	354	− 10
Westland	39	− 5
Guthrie	175	− 8
Anglo American	430	− 20
De Beers Dfd.	308	− 7
Gold Fields SA	£31	− 1¼
Hamersley	145	− 10
Hartebeest	£25	− ⅞
Libanon	£10	− ½
Pancontinental	490	− 50
President Brand	£22	− 1½
Randfontein	£25½	− ¼
Venterspost	740	− 40

Legal snags delay publication of reserve pay powers

BY JOHN BOURNE, LOBBY EDITOR

THE CHANCELLOR of the Exchequer revealed yesterday that the knotty legal problem of trying to protect strikers from court injunctions by employers who resisted demands for more than the Government-TUC £6 a week pay limit was "one of the points still under consideration by the Government" in its draft reserve powers legislation.

Mr. Healey's admission, made in his speech opening the two-day debate on the anti-inflation White Paper, caused momentary uproar among Labour MPs. It will certainly strengthen the argument of those who are convinced that ultimately the Cabinet will have to impose legal sanctions not only against employers but against their workers; and it perhaps explains why the Government is anxious to avoid publishing the reserve legislation until after the TUC's annual Congress and the Labour Party Conference.

In Whitehall last night it was conceded that protecting workers from injunctions and penalties for possible contempt of court for refusing to obey injunctions was proving a difficult if not an impossible task — without virtually overturning the whole of British common law.

In his speech, Mr. Healey indicated that the Government planned to keep public expenditure on a plateau from 1976 until 1979, but he rejected Opposition calls for further immediate cuts this year.

Mr. Healey's admission about injunctions was prised from him not by a Labour MP but by Sir Derek Walker-Smith, QC, Conservative MP for Hertford East. Mr. Eric Heffer, a leading Left-wing Tribune Group member, asked the first question, but received an evasive reply.

If an employer took out an injunction against workers who were trying to force an employer to go above the £6 a week limit, asked Mr. Heffer, what would be the Government's attitude? The Chancellor's reply—"I have already made it clear that there would be provisions (in the Reserve Powers Bill) to stop workers being prosecuted for conspiracy"—missed Mr. Heffer's point and it was Sir Derek who reminded Mr. Healey that Mr. Heffer had not been asking about conspiracy but about a striker's possible liability to an injunction and to contempt of court proceedings.

Cornered, Mr. Healey replied: "This is precisely one of the drafting points still under consideration."

Earlier he had said that the draft Reserve Powers Bill had already been prepared, but "since some technical details remain to be filled in, we cannot publish it at this stage. Also, the drafting might have to be changed to meet the circumstances in which the legislation was introduced." Mr. Healey reiterated his hope, however, that the voluntary policy of wage restraint would succeed and the reserve powers would not have to be introduced.

In her reply, Mrs. Margaret Thatcher, leader of the Opposition, did not carry out the Tory threat of saying that they would move a motion of censure unless the Government published its draft Bill. But she attacked Mr. Healey for treating the House with insults and contempt, and added: "I think the Government really doesn't know what it's going to do" (over reserve powers).

The few details about the Bill which Mr. Healey revealed to the Commons were that:

● It would contain powers to reduce any excessive wage settlement made after August 1.

● The present system of employers voluntarily notifying the Government of wage settlements would be made compulsory.

● The legislation would give the Government legal powers to make Orders against individual employers who exceeded the pay limit.

● Any attempt to impose criminal sanctions or laws of conspiracy against workers would only bring the law into disrepute and would therefore not be contained in the Bill.

On public expenditure the Chancellor said he had been urged to cut back the rate of

Continued on Back Page
Editorial comment, Page 16

Wage limit legislation closes all loopholes

BY ELINOR GOODMAN

THE GOVERNMENT has apparently closed every loophole in its proposed legislation to stop employers passing on wage rises of over £6 in higher prices. Under the draft amendments to the Price Code, published yesterday, any employer who concedes a pay rise of over the £6 ceiling will have to finance the entire addition to his wage bill out of profit.

With statutory measures against employers being held in reserve, the Price Code is the main sanction against employers under the proposed counter-inflation policy.

No exceptions to this rule are to be allowed and a special clause has been devised to discourage capital intensive industries from exceeding the norm.

Companies wanting to put up their prices will have to provide the Price Commission with a whole range of information on pay settlements, some of which might seem more appropriate to a Pay Board than to the Price Commission.

This information will, in turn, be passed to the Department of Employment which will advise the Commission on the "status of settlements." Should the Department certify that any settlement is in excess of the pay limit, the Price Commission will be empowered to use its sanctions to stop the company taking any increased wage costs into account when applying to raise its prices.

The draft amendments to the Price Code, which were published yesterday in the form of a consultative document, were broadly in line with those foreshadowed in last week's White Paper.

Only in the area of capital intensive industries does the consultative document take the proposals substantially further than those outlined in the White Paper.

Under the draft amendment published yesterday, a company whose wage bill accounts for less than 15 per cent. of total costs would be treated for the purpose of the excess pay sanction clause as if wage costs were running at 15 per cent.

Thus, if an employer with relatively low wage costs, conceded a pay rise of £7 rather than let expensive plant lie idle, he would not only be prevented from passing on any increase in his wage bill in higher costs, but also a proportion of his other allowable costs.

The rest of the consultative document is largely devoted to expanding the White Paper's proposal by the addition of detail. The document makes clear, for example, that nationalised industries cannot expect any special treatment under the proposed amendments.

If a nationalised industry was to pay more than the norm, it would lose its freedom to increase its prices by as much as was necessary to give it a 10 per cent. return on capital.

Similarly, loss-making companies which exceed the norm will have to absorb the entire costs of the wage settlement. As with other companies, the only basis on which they could raise their prices would be an increase in other allowable costs, such as raw materials.

In an attempt to ensure that price applications are still dealt with within 28 days, the Government has suggested a procedure whereby companies wanting to raise their prices could send details of any relevant pay settlements in advance of the normal notification of a price increase.

Details of the pay settlement would then be submitted to the Department of Employment.

It is not envisaged that this should be a formal arrangement, but it is suggested that it would work best if information about settlements was submitted "not more than 30 or less than 20 days before the formal application for a price increase."

Text of amendments, Page 8

TUC opposes MPs' £24 rise

BY ROY ROGERS, LABOUR CORRESPONDENT

THE TUC yesterday came out against the proposed £24 a week pay rises for MPs and called for them to be brought in line with the Government's anti-inflation policy limiting increases to £6 a week.

This move from the TUC's finance and general purposes committee is almost certain to be endorsed by the TUC general council which meets to-morrow. This is despite the fact that several union leaders are known to be sympathetic towards MPs who, after having no increases for several years, have already had those proposed for this year pruned by the Government.

There was, however, little support for MPs on the finance and general purposes committee yesterday with only Mr. Cyril Plant, of the Inland Revenue Staff Federation, and Lord Briginshaw, of the print union Natsopa, speaking up against the move which was suggested by Mr. Danny McGarvey, of the Boilermakers, and seconded by Mr. Jack Jones, of the Transport workers.

The concensus of the committee was that there should be no exceptions to the £6 limit and that the best way of promoting the policy would be for MPs to fall in line with it.

The committee also decided to embark on a "campaign of communication" aimed at "selling" the policy to member unions. This will begin with a special issue of "Labour," the TUC's monthly broadsheet, which will be followed by leaflets and other printed matter.

Earlier in the day Ministers, led by Mr. Denis Healey, Chancellor of the Exchequer, met TUC leaders on the TUC-Labour Party liaison committee which endorsed the £6 policy. A joint statement afterwards said they were "encouraged by the widespread recognition of the necessity and of the fairness of the announced policy."

At that meeting, union leaders impressed upon the Chancellor their opposition to the publication of reserve powers with which to back up the wage policy as they felt this was unnecessary. They wanted to maintain the policy on a voluntary basis.

Richard Evans, Lobby Correspondent, writes. The "action committee" of Labour backbenchers who are campaigning for an MP's salary approaching the £8,000-a-year recommended by Lord Boyle met last night to plan their tactics for to-night's Commons debate on MPs' pay.

They will table a series of amendments which will have the support of some Conservative backbenchers, who also believe that MPs, after no salary increase for 3½ years, should receive more than the Government's recommendation of £6,750 plus higher allowances.

An amendment tabled by Mr. George Cunningham, MP for Islington South and one of the leaders of the action committee, proposes that MPs' salaries should be increased to £6,300. In a letter to the Speaker he points out that this could be paid out of present available funds if Cabinet Ministers took a cut in their salaries.

On yesterday's Commons Order Paper was a series of Government resolutions tabled by Mr. Edward Short, the Lord President, for to-night's debate. In an attempt to take some heat out of the pay row, one resolution offers MPs the choice of linking their salaries to "a specified grade in the public service."

This proposal reverses the advice of Lord Boyle's committee, which thought it would simply transfer the sensitivity over MPs' pay to the group with which they were linked, possibly the assistant secretary grade in the Civil Service.

The Government is also proposing that MPs' allowances for London subsistence be linked to those of the Civil Service, as recommended by Boyle. But since the recommendation was made Civil Service rates have increased, and MPs will therefore get more than they expected. The maximum London living allowance is raised from £1,350 to £1,639 a year.

Further sharp rise in coffee

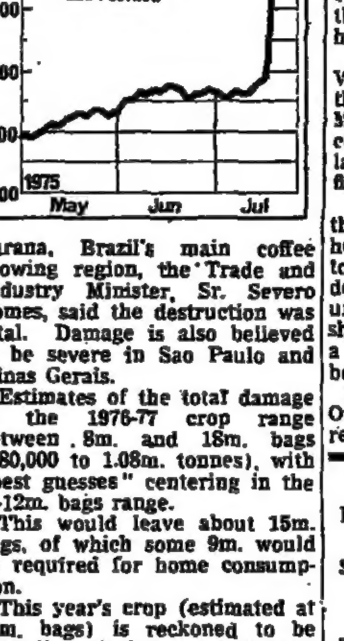
By Richard Mooney

COFFEE PRICES soared again on the London futures market yesterday as dealers digested the implications of what appears to be the worst frost disaster ever to hit the Brazilian crop.

As more and more gloomy reports of damage came in from the growing areas, the September delivery position added £178 to Friday's £146 rise to close at £855 a tonne and has now risen an unprecedented 62 per cent. in two days.

No one is certain yet how much damage has been done to the Brazil crop. But it is being assumed that the disaster is very serious indeed.

After an aerial inspection of plantations in the north of



Parana, Brazil's main coffee growing region, the Trade and Industry Minister, Sr. Severo Gomes, said the destruction was total. Damage is also believed to be severe in Sao Paulo and Minas Gerais.

Estimates of the total damage to the 1976-77 crop range between 8m. and 18m. bags (480,000 to 1.08m. tonnes), with "best guesses" centering in the 11-12m. bags range.

This would leave about 15m. bags, of which some 9m. would be required for home consumption.

This year's crop (estimated at 20m. bags) is reckoned to be virtually safe in terms of quantity. But the effect of the frost on the quality of coffee yet to be picked could be severe.

Trading in the London physical coffee market has been virtually paralysed, meanwhile, with no sign of manufacturers rushing to buy actuals—as they did following the 1969 and 1972 frost disasters. The manufacturers are believed to be working on fairly short supplies.

In the meantime, the state of the economy and the weakness of sterling, coupled with fears of price restraint seem, for the time being at least, to have persuaded them to resist the temptation to buy.

Effects on consumers, Page 27

Now Wilson gives backing to Prentice

BY RICHARD EVANS, LOBBY CORRESPONDENT

SURPRISE support for the embattled Mr. Reg Prentice in his struggle to remain as Labour MP for Newham North East came yesterday from Mr. Harold Wilson, the Prime Minister.

Against all precedent, Mr. Wilson warned the local party that if Mr. Prentice loses his fight to-morrow night to remain as MP, he would be prepared, as party leader, to intervene with Labour's National Executive Committee on Mr. Prentice's behalf.

In a letter to one of Mr. Prentice's supporters, the Prime Minister declared: "I shall feel it my duty to raise the whole question of actions by small and certainly not necessarily representative groups who have secured a degree of power within a constituency."

The effect of Mr. Wilson's intervention is difficult to gauge. It could well do little to help Mr. Prentice to-morrow night, when the 57 members of the Newham North-East general management committee are still expected to vote in favour of the Left-wing attempt to depose him before the next election.

But the active backing of Mr. Wilson, as well as 14 members of the Cabinet, and 160 junior Ministers and back-benchers, could well have an effect in later stages of Mr. Prentice's fight to remain an MP.

Mr. Prentice has already stated that if he loses to-morrow night, he will appeal to the NEC, first to ask it to overturn the local decision, and, if that fails, to urge that Newham North-East should be restrained from seeking a new candidate for the time being.

Mr. Prentice, Minister for Overseas Development, also received public support yesterday from Mr. Cledwyn Hughes, well-respected chairman of the Parliamentary Labour Party, though this was in restrained terms because of Mr. Hughes's non-partisan position within the PLP.

In his letter to Mr. Neville Sandelson, MP for Hayes and Harlington, Mr. Wilson said he trusted no decision would be taken to-morrow night that would require action by Labour's NEC at its September meeting. "Nothing in my view would justify such action."

But should the NEC be called upon to act, Mr. Wilson said that as party leader he would depart from a self-imposed rule of non-interference in matters of party organisation, relations with constituency parties, the selection of candidates, and proceedings in relation to candidates or MPs.

Infiltrated

As long ago as 1955, when he prepared a report on Labour Party organisation, Mr. Wilson said he had expressed strong words on some constituency organisations, mainly in safe Labour seats, where membership was small and often unrepresentative, certainly of the mass of Labour voters, and where there was an over-concentration of power.

But the problem remained, and the smaller the active membership, the greater the power of infiltration. "I believe that for the greater health of the party and its responsibilities to the electorate, this problem needs to be tackled urgently, and individual cases arising from such constituencies appropriately dealt with."

Editorial comment, Page 16

For latest Share Index phone 01-246 8026

LOMBARD

No escape to the 'simple life'

BY C. GORDON TETHER

"IT GIVES us a good feeling to escape from the complexities of life into its simplicities and then to find that its simplicities have solved its complexities." So said the Royal Bank of Canada at the start of an article on "Keeping it Simple" in its latest monthly letter. And, unusually, this is an institution that takes the view that it can most effectively use this device to improve its public image by making it the vehicle for regular exercises in home-spun philosophy.

The idea is, needless to say, far from being a new one. The proposition that the key to the door of the really good life is in everyone's hands in the sense that all that is required is a readiness to contract out of the "rat race" has been one of the more popular themes of stage, screen and TV drama for a good many years now.

What the Royal Bank of Canada and its other diehard exponents do not realise is that this comfortable theme has itself fallen victim to the new super-complexities introduced into the lives of the inhabitants of this planet by such modern innovations as double-figure inflation, the world-wide productivity craze and similar phenomena.

Endurance

It is no longer possible for the average person to count—having once abandoned rat-race ambitions—on being left in peace to follow a life style that puts the emphasis on enjoying the simple things rather than on attaining the highest possible standard of living. The reason is that the new complexities are of a kind that leave no one alone, however modest his or her requirements—that are, indeed, so much everyone's involuntary daily companion that life for most people is becoming more and more of a perpetual endurance test.

The rush by the older folk to obtain their quota of index-linked investment in National Savings is currently providing a striking illustration of how far things have gone. So impossible has it become for people to find a way, using conventional facilities, of preserving the purchasing power of the money they had set aside to take care of their old age that they are falling over themselves to acquire an investment that offers them virtually nothing more than the assurance that the real value they put in they will get out.

Even that facility can be availed of only to the extent of £500 per head of the money taken into retirement. And how far would that go to keep body and soul together for any length of time at the present level of prices.

Other savings continue to be subject to destruction at a fantastic pace and there is virtually nothing that ordinary people can do to prevent the process embracing them. And what makes that unprovoked assault on their well-being the more worrying is that they have no means of knowing whether the real value of the hard-earned pensions they take into retirement will not be the subject of a similar disappearing trick.

The State is now more or less committed to maintaining the purchasing power of pensions paid under its scheme. But it is no secret that many private pension funds are currently finding the going very hard. Certainly few are in a position to give an assurance that those moving into retirement can count on enjoying real income levels related to the scheduled proportion of their final salaries for more than a year or so.

Redundancy

And these, of course, are far from being the only forms of instability that are making life extremely unrestful even for those who are quite prepared to live it in simple fashion. The precipitate fall in the value of money is playing havoc with prices on such a scale that, with all the old landmarks destroyed, everyday shopping has become a trial and tribulation. Hands up those who can say whether they would be cheated if they were asked to pay 30p for a pound of one-inch nails!

Other new sources of acute instability are to be seen in the threat of a more or less permanent increase in unemployment stemming from the growing difficulty that government is experiencing in maintaining sustained growth and in the indications that international productivity warfare is destined to make redundancy a far more familiar feature of the economic scene that it has been hitherto.

Alvin Toffler, the author of "Future Shock" is clearly getting near to the heart of the matter when he says in his latest book—"The Eco-Spasm Report"—that what we are witnessing is a crisis that transcends the differences between capitalism and Soviet-style communism, a crisis that is simultaneously tearing up our energy base, our value systems, our sense of space and time—that is destroying the ground-rules of our civilisation as well as its economy.

One wonders whether the message is getting through to those who occupy the corridors of power.

SALEROOM BY ANTONY THORNCROFT

Musical clock rings up £19,000

AN EXTREMELY high price of £19,000 for a gilt metal musical table clock, made in London by William Webster around 1734, jolted the salerooms out of their summer lethargy yesterday. The end of July is the official close to the season, although Christie's is holding a few sales in August, and Phillips carries on during the month.

The clock plays six tunes and stands 1 foot 7 inches high. It had been estimated to sell for between £8,000 and £12,000 and was bought by the London dealer Howe of Edinburgh. Webster was apprenticed to the celebrated clockmaker Thomas Tompion, and this exceptional price lifted an otherwise routine sale at Sotheby's to an impressive total of £89,139.

The other top items were within their estimates. An ornate gold and enamel verge watch, made by George Goodman of London around 1780, sold to Bentley Antiques for £3,000; and a mid-18th century silver gilt watch by John Harris, bearing the monogram of Princess Augusta, wife to Frederick, Prince of Wales, and mother of George III, went for £2,100.

There was a similar steady demand at a Sotheby's paper-weight sale which totalled £24,737. A Clichy bouquet weight, set with a pansy, a rose and two thistles, just beat its estimate at £2,350, as did a Baccarat snake weight, which sold for £1,500. In a generally successful icon sale, a Central Russian icon showing the Dormition of the Virgin, of about 1800, exceeded its estimate at £2,700, and a similar period icon of The Mother of God of the Sign made £1,250.

There were some impressive prices among the books. The ten volumes of Comte de Buffons "Historie Naturelle des Oiseaux," with 973 hand coloured plates of birds, published in Paris between 1771 and 1783, was bought by Traylem of Guildford for £7,000, while John Speed's "The Theatre of the Empire of Great Britain . . ." sold for £6,200 to Map House. It was published in 1676, with 69 maps of Great Britain and 28 of the rest of the world. The sale realised £60,026.

The end of season feel was apparent at Christie's, not so much in the prices but in the quality of goods on offer. There were no exceptional pieces. In a sale of sculpture, a German ivory equestrian group of the 17th century, attributed to the Master of the Furies, was sold to a German buyer, Winkler, for £2,940, slightly below forecast, in a total of £37,678.

Most of the other top prices were within, or just below, their targets. A Spanish painted wood group of the Virgin and Child, with St. Anne, of about 1500, went for £2,730, and a late 15th century Netherlands oak carving of the Agony in the Garden fetched £2,310.

A bronze of Hercules from the workshop of Giovanni Bologna, dating from the late 16th century, was bought by an American buyer for £1,995. It had belonged to Mr. Edmund de Rothschild. As an incidental aside, the massive Bohemian 16th century steel door-lock from Wallenstein's Castle of Dux went for £399. Cassenova is buried at this castle.

In the sale of 19th and 20th century ceramics, which heralded the start of Christie's Victorian week, there were some good prices for late Meissen services. One was bought for £2,625 and another, the property of the Earl of Radnor, made £1,365. The Jenks collection of Belleek porcelain from Ulster sold for £7,062.

RACING BY DOMINIC WIGAN

Follow Dunlop to-day

THAT formidable trainer and jockey team of John Dunlop and Ron Hutchinson could well dominate proceedings at Ayr to-day. I expect the three principal events on the Scottish track to go to the combination.

The best proposition of the afternoon here, in my opinion, is the Duchess of Norfolk's progressive three-year-old *Mount Irvine*, in the Kirkoswald Stakes (3.45). This good-looking Aureole colt, a 31,000 gns. yearling purchase whom Dunlop has given plenty of time to mature, was making only his fourth racecourse appearance when landing the 1½ mile Clayton Stakes at Doncaster's evening meeting of July 10.

In spite of proving awkward in the preliminaries there, and having to be led to the start, Hutchinson's mount proved thoroughly equable in the race, leading throughout to beat Gracemount by five lengths, with Water Bailiff another 10 lengths away in third.

Mount Irvine, who has plenty of scope for improvement, will be well suited by the additional furlong here, and only in the case of *Sir Something* returning to the form which enabled him to take second place behind Shantallah in the Chester Vase, is the Arundel Place colt likely to be troubled.

Half an hour earlier, I expect to see either Mount Irvine's stable companion *Mother Brown* or Captain Ryan Price's *Crescendo* land the Soutar Johnnie Handicap (3.15). The first-named, bidding for her fourth success from five outings in the current campaign, and her second over the course (she had half a length to spare when beating Halsall here last month) receives 7 lb from the somewhat *disappointing* Crescendo. This may tip the scales in her favour.

With only two — *Plenty Spirit* and *Sea Hedrig* — to beat in the Knockjarder Stakes (2.45), the Arundel juvenile *Wax Fruit* seems poised to complete a hat-trick. This bay daughter of John Splendid, who landed the Ayr Gold Cup here a few years back, had seven lengths to spare over Market Maid when winning an 11-runner maiden event on this course last month, and she has no more to do.

Barry Hills, who trains Sir Something, is also represented at to-day's other meetings, Folkestone and Wolverhampton. He could have a winner at each course. *Amati*, a narrow winner at Leicester last week, is a confident choice for Folkestone's Periosteum Stakes (4.15), in which *Deep River*, bidding for a hat-trick, appears to be his only danger; while another Hills three-year-old, *Inkuband* ought to acount for *Star Tail* from Michael Stoute's out-of-form Newmarket stable in the Dunstal Derby Handicap (3.00) at Wolverhampton.

SELECTIONS

AYR

2.15—Crazy Guy
2.45—Wax Fruit
3.15—Mother Brown
3.45—Mount Irvine***
4.15—Flame Bird
4.45—Amun's Ra

FOLKESTONE

2.45—Outrage
3.45—Rose Track
4.15—Amati**

WOLVERHAMPTON

3.00—Inkuband*
4.00—Glen Clunie
4.30—Regal Step

FILM AND VIDEO BY JOHN CHITTOCK

Underground productions with a hint of caution

THE EXTENT to which a major audio-visual policy can assist a large organisation has been demonstrated successfully by the National Coal Board, which established its own film commitment when the Board was founded in 1947. Since then it has been almost unique in Britain by maintaining and diversifying such activities rather than cutting them back, as has happened, for instance, in the steel, car and even oil industries. The Board's film unit now employs 36 people.

The coal industry has neatly encompassed most of the problems that film, television and related media can tackle. Top of the list is safety, with productivity, training, marketing, industrial relations, public relations and recruitment all important subject areas tackled by films, television programmes and film strips.

Cinemas

Evaluation of the effectiveness of such operations is always difficult, and success may be attributable to various factors. Nevertheless, with safety a major preoccupation of the Board and a constant topic in audio-visual exercises, it is worth recording that fatalities in the industry declined from 610 in 1947 to 60 in 1973-74, a drop from 0.08 per cent. to 0.02 per cent. in terms of total numbers employed.

The Board reaches most of its audiences on film, using a variety of methods. A regular monthly magazine programme produced on 35 mm. film, called *Review*, circulates to 700 public cinemas in the U.K., with special concentration on the mining areas. *Review* is concerned with general interest topics about mining, and thereby has appeal to the public as well. Recently, alternate issues have been devoted to non-mining subjects, paid for by other industries and companies (such as the National Westminster Bank and the Brewers' Society).

Films aimed specifically at NCB employees, especially miners, reach their scattered audiences on 16 mm. via seven regional film libraries in mining areas. Local shows are held, and every large colliery has screening facilities with some 800 projectors in use. Training centres also hold copies of relevant films, and the Board's central library in London directly handles loans of 18,000 reels per year (of which over 10,000 go to schools).

Five mobile television units are also fully engaged in taking the safety message to collieries. Each of these is equipped with videotape recorders, CCTV relay, a small studio, and even a woman interviewer, so that programmes can be made locally, using employees whose faces, voices and views are known to everyone. These programmes are relayed over CCTV at the various points where men congregate and wait, such as pithead baths, canteens, wages offices, etc.

So far the Board has resisted the temptation to instal a videocassette network—perhaps the ultimate refinement in a *national A-V communications* policy. Hesitancy over this arises from worries about standardisation and about the heavy investment the Board has committed to film distribution. Nevertheless, this must be the next logical step.

Pioneer

NCB films are generally of a high professional standard and within the film industry the Board has a reputation for excellence in all departments. It has also had to pioneer the development of special equipment, especially lighting gear, because filming in coal mines poses a whole range of unique problems and hazards.

With coal recently so much in the centre of the industrial relations stage, one is tempted to probe this particular area to see how much use has b[een] made of film and televisio[n to] assist in minimising difficu[lties]. The answer appears to be "[not] much," and there is even a [sug]gestion of slight shock at [the] thought that the Board mi[ght] make films to narrow any g[ap] between management [and] miners where labour dis[putes] are threatened.

Maybe this is indicative o[f the] special trust the Board [has] established with its employ[ees], but I also detect a nervous[ness] over facing such issues on f[ilm] —as if anything motivational [in] the area of labour relati[ons] might uncover a danger[ous] pocket of black damp.

Motor bikes

Yet in other situations, [the] Board is using the media [to] motivate people. Recruitme[nt] films, for example, are show[ing] school-leavers a totally n[ew] image of coal mining, wi[th] apprentices seen riding mot[or] bikes bought with their ow[n] wages. They have even enlist[ed] well-known television faces in [a] What's My Line? game for [a] recruitment commercial, a[nd] used a television-style docume[n]tary with link-man Austi[n] Mitchell to try to convince th[e] people of Selby that a coal min[e] on their doorstep won't do an[y] harm.

The NCB says, however, th[at] films about controversial labour relations issues would be inap[pro]priate and even dangerous. In current times, it may well b[e] right—and certainly it has don[e] more in using the media fo[r] good employee relations tha[n] most, so it would be churlish t[o] criticise its record.

Yet nearly all U.K. industrie[s] duck sensitive industrial rela[tions] issues when making film[s] and video programmes. If they have confidence in using motiva[tional] media on the consume[r] side of the fence, and in safety, why not in the troubled area[s] of employment? For someone with courage, it might offe[r] scope for an entirely new approach to labour relations.

TV/Radio

† Indicates programme in black and white.

BBC 1

10.05 a.m. Hector's House. 10.10 Daktari. 1.00 p.m. Cwestiwn Arall . . . Another Question. 1.30 Bagpuss. 1.45 News. 4.22 Regional News (except London). 4.25 Play School. 4.50 Kim and Co. 5.15 Animal Magic. 5.40 Sir Prancelot.
5.45 News.
6.00 Nationwide.
6.50 Dame Vera—This Is Your Lunch: Variety Club of Great Britain luncheon to Vera Lynn.
7.20 The Little House on the Prairie.
8.10 Sutherland's Law.
9.00 News.
9.25 Royal International Horse Show.
10.45 Festival at Llangollen.
11.25 Weather/Regional News.

All regions as BBC 1 except at the following times:

Wales—5.15-5.40 p.m. Arch Noa. 6.00-6.50 Wales To-day. 7.20-7.45 Heddiw. 7.45-8.10 Farming In Wales. †11.25 News of Wales.

Scotland—6.00-6.50 p.m. Reporting Scotland. 11.25 Scottish News Summary.

Northern Ireland—4.23-4.25 p.m. Northern Ireland News. 6.00-6.50 Scene Around Six. 11.25 Northern Ireland News Headlines.

England—6.00-6.50 p.m. †Look North (from Leeds, Manchester, Newcastle); †Midlands To-day (from Birmingham); †Look East (from Norwich); Points West (from Bristol); †South To-day (from Southampton); †Spotlight South West (from Plymouth).

BBC 2

6.40 a.m. Open University.
11.00 Play School.
5.00 p.m. Open University.
7.30 Newsday.
7.45 Collector's World.
8.10 The Time-Detectives.
†9.00 Tuesday Cinema: "Sunny Side Up," starring Janet Gaynor.
10.55 News Extra.
11.25 Closedown: Martin Jarvis reads "The Water-Wheel," by Jack Clemo.

LONDON

10.50 a.m. Primitive Man. 11.40 Galloping Gourmet. 12.05 p.m. Yoga for Health. 12.30 Yak. 12.40 Mr. Trimble. 1.00 First Report: News, FT Index. 1.20 Lunchtime To-day. 1.30 A Regional Flavour. 2.00 Good Afternoon. 2.30 Gosling's Travels. 3.00 Pathfinders. 3.55 Quick on the Draw. 4.25 The Flintstones. 4.50 Magpie. 5.20 Shang A Lang.
5.50 News from ITN.
6.00 To-day.
6.40 Crossroads.
7.05 Dawson's Weekly.
7.35 Tuesday Mystery Movie: McMillan and Wife.
9.00 Johnny Go Home (part 1).
10.00 News.
10.30 Johnny Go Home (part 2).
11.30 Oscar Peterson Presents.
12.00 Personal View.

All ITV regions as London except at the following times:

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 3.00 Randall and Hopkirk (deceased). 4.25 The Romper Room. 6.00 About Anglia. 7.00 Survival. 7.30 Tuesday Movie: "Goodnight My Love" starring Richard Boone. 11.30 Reflection.

ATV MIDLANDS

1.20 p.m. Lunchtime News Desk. 3.00 Riptide. 4.25 The Houndcats. 6.00 ATV Today. 7.00 Cartoon Time. 7.15 Tuesday Mystery Movie: McMillan and Wife. 11.30 Open Day.

BORDER

†1.25 p.m. Border News. 2.00 Houseparty. 3.00 Boney. 4.25 The Woody Woodpecker Show. 6.00 Border News and Lookaround. 7.00 Cartoon (Betty Boop). 7.15 TV Movie. 11.30 Police Surgeon. †12.00 Border News Summary.

CHANNEL

1.20 p.m. Channel Lunchtime News and What's On Where. 3.00 Riptide. 4.25 Wait Till Your Father Gets Home. 6.00 Report at Six. 7.00 Curtain Raiser. 7.10 Mystery Movie: McCloud. 11.25 Visages de France.

GRAMPIAN

12.05 p.m. Jews of Winnipeg. 12.35 Lunchtime Call. 1.20 Grampian News Headlines. 2.00 Houseparty. 3.00 Randall and Hopkirk (deceased). 4.25 The Merrie Melodies Show. 6.00 Grampian News. 6.10 The Adventurer. 7.00 Marc Time. 7.30 TV Movie: Snoop Sisters. 11.30 Evening Prayers.

GRANADA

10.30 a.m. Spiderman. 10.50 It's Fun To Read. 11.00 The Magic of Music. †11.15 Morning Mystery. †12.05 p.m. Chess Masterpieces. 12.10 A Big Country. 1.20 This Is Your Right. 3.00 Boney. 4.25 Wait Till Your Father Gets Home. †5.15 Chucklebeads. 5.20 Crossroads. 6.00 Granada Reports. 6.35 University Challenge. 7.00 Cartoon. 7.10 The Tuesday Movie: Hec Ramsey. 11.30 Wrestling.

HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 2.30 Bygones. †3.00 Danger Man. 4.25 The Osmonds. 5.20 Help! 5.25 Crossroads. 6.00 Report West. 6.18 Report Wales. 6.35 Betty Boop. 6.45 The Protectors. 7.15 The Tuesday Movie: "Emergency," starring Julie London.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.25-4.35 Miri Mawr. 4.35-4.50 Miri Mwy. 6.01-6.18 Y Dydd. 6.45-7.15 Sale of the Century.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.18-6.30 Report West.

SCOTTISH

12.00 One Northern Summer. 12.30 p.m. Legend of Sleepy Hollow. †1.25 Road and Weather Report. 2.00 Houseparty. 3.00 Jason King. 4.25 Zigzag. 5.20 Kiri. 5.25 Crossroads. 6.00 Scottish News. 6.05 Isabel on Tuesday. 7.00 Cartoon. 7.20 Tuesday Mystery Movie: McMillan and Wife. 11.30 Late Call. 11.35 Wrestling.

SOUTHERN

11.00 a.m. Yoga For Health. 11.20 Australia. 11.45 Wait Till Your Father Gets Home. 12.05 p.m. Skippy. 12.30 Hammy Hamster's Adventures on the Riverbank. 1.20 Southern News. 2.00 Houseparty. 3.00 "Family Flight" starring Rod Taylor. 5.20 Betty Boop. 5.25 Crossroads. 6.00 Day by Day. 6.45 University Challenge. 7.15 McCloud. 11.30 Wrestling. 12.15 a.m. Southern News Extra.

TYNE TEES

12.35 p.m. Starting Point. 3.00 Department S. 4.25 Castaway. 6.00 Today at Six. 7.00 Cartoon Time and Betty Boop. 7.15 McCloud. 11.30 Late News Extra. 11.35 Teach Us, Good Lord.

ULSTER

1.20 p.m. Ulster News Headlines. 2.00 Houseparty. 3.00 Pathfinders. 4.23 Ulster News Headlines. 4.25 The Woody Woodpecker Show. 6.00 Summer Reports. 7.00 Bridget Loves Bernie. †7.30 Tuesday's Film: "Carnival" starring Michael Wilding and Stanley Holloway.

WESTWARD

11.25 a.m. Yoga For Health. 11.50 Adventures in Rainbow Country. 12.15 p.m. Skippy. 12.30 Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 3.00 Riptide. 4.25 Wait Till Your Father Gets Home. 6.00 Westward Diary. 7.00 Curtain Raiser. 7.10 Mystery Movie: McCloud. 11.25 Westward Late News. 11.28 Faith For Life.

YORKSHIRE

1.20 p.m. Calendar News. 3.00 Department S. 4.25 Castaway. 6.00 Calendar. 7.00 Sylvester and Tweety. 7.15 McCloud. 11.30 Police Surgeon.

RADIO 1 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.00 Noel Edmonds. 9.00 Tony Blackburn. 11.00 David Hamilton with The Radio 1 Roadshow to-day from the Square on the Promenade, Barry. 12.30 p.m. Newsbeat. 12.45 Johnnie Walker including this week's Top 30 discs. 2.02 Ed Stewart: also on VHF (S). 5.00 Newsbeat. 5.15 Alan Freeman: Youth Club Call. 7.00-12.33 a.m. As Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Simon Bates (S) including 6.15 Pause for Thought. 7.02 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 9.02-11.30 Pete Murray's Open House (S) including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.30 p.m. Sports Desk. 1.55 Good Listening (VHF). 2.02 Ed Stewart (S) as Radio 1, but including on 1500m only (also 202m Scotland) 2.45, 3.45 and 4.45 Sports Desk. 5.02 Waggoners' Walk. 5.17 Sam Costa (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Three in a Row. 7.30 Sports Desk. 7.32 Sing Something Simple (S). 8.02 The Musical World of Waldo De Los Rios with the BBC Radio Orchestra (S). 9.02 The Impresarios (S). 10.02 Sports Desk. 10.06 Colin Berry (S) with Music Through Midnight including 12.00 News. 12.31 a.m. News Summary.

RADIO 3 464m, Stereo & VHF

‡ Medium Wave only

7.00 a.m. News. 7.05 Overture: Berlioz, Pleyel, Bizet (S). 8.00 News. 8.05 Morning Concert: Schumann, Balakirev (S). 9.00 News. 9.05 This Week's Composer: Walton (S). 10.00 Piano Recital: Scarlatti, Brahms, Chopin, Ravel (S). 10.50 Cambridge University Chamber Choir: Part 1 (S). 11.25 Interval Reading. 11.30 Concert: Part 2. 12.15 p.m. Cardiff Midday Prom: Part 1, Strauss, Shostakovich (S). 1.00 News. 1.05 The Arts Worldwide. 1.20 Midday Prom: Part 2, Brahms (S). 2.00 Music in our Time (S). 3.00 Melody (S). 4.10 More Than Just a Pipe Dream, the organ of the Sydney Opera House. 5.15 Jazz Today (S). ‡5.45 Homeward Bound. ‡6.05 News. ‡6.10 Homeward Bound (continued). ‡6.30 Study on 3. 7.30 A Concert of British Music from the Free Trade Hall, Manchester: Part 1: MacCunn, Lambert (S). 7.55 The Seven Deadly Sins. 8.15 Concert (S). 9.20 Drama Now (S). 10.00 Musica Antica E Nuova (S). 10.55 Historic Performances on Record: Koussevitzky with the LPO. 11.25 News.

Radio 3 VHF only—5.45-7.30 p.m. and 12.00-1.00 a.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.20 a.m. News. 6.22 Farming Today. 6.40 Prayer for the Day. 6.45 Today including 6.50 and 7.50 VHF Regional News. 6.55 Weather, programme news. 7.00 News and more of Today including 7.27 Sports Desk. 7.35 Today's Papers. 7.45-7.50 Thought for the Day. 7.55 Weather, programme news. 8.00 News and more of Today including 8.27 Sports Desk. 8.35 Today's Papers. 8.45 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.05 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Celebration: Dame Myra Hess. 11.45 The Wit and Wisdom of Mary Stocks. 12.00 News. 12.02 p.m. You and Yours. 12.27 Kenneth Williams Playhouse. ‡12.55 Weather, programme news. VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Jamaica Inn (S). 4.00 News. 4.05 Gardeners' Question Time. 4.35 Story Time. 5.00 PM Reports. ‡5.50 Financial Report. VHF Regional News. 5.55 Weather, programme news. 6.00 News. 6.15 Home to Roost. 6.45 The Archers. 7.00 News Desk. 7.30 A Concert of British Music, part 1 (as Radio 3) (S). 7.55 The Seven Deadly Sins (as Radio 3). 8.15 Concert, part 2 (as Radio 3) (S). 9.20 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.45 A Book at Bedtime. 11.00 The Financial World Tonight: Radio 4's International Business Report: Market Trends. 11.15 Today in Parliament. 11.30 News.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.03 Downtown. 11.02 In Town. 12.03 p.m. Call In—1. 12.34 London News Desk. 1.03 Call In—2. 2.03 206 Showcase. 4.03 Matter of Fact. 4.32 Home Run including London News Desk at 5.00, 6.00. 7.03 In Town. 8.00 Lobby. 8.30 All That Jazz. 10.03 Robbie Vincent's Late Night London. 12.00 As Radio 2 until closedown.

London Broadcasting

261m and 97.3 VHF

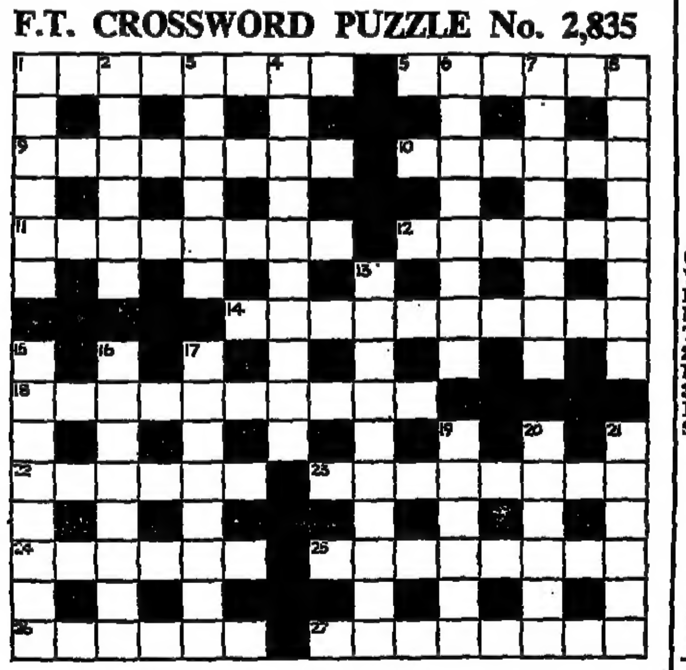
6.00 a.m. "AM": London's breakfast-time news show, with interviews, traffic and travel service, plus sport. 10.00 Open Line—London talks to George Gale. 12.00 Newswatch. 6.00 p.m. Newsbreak. 7.30 London Matters: GLC Question Time. 9.00 Love in London. 1.30-6.00 a.m. Nightwatch—news every half-hour.

Capital Radio

194m and 95.8 VHF

6.30 a.m. The Breakfast Show. 9.00 Michael Aspel presents music, guests, competitions and "Swapshop." 12.00 Cash on Delivery. 3.00 p.m. Roger Scott. 7.00 London Today. 7.30 Open Line. 9.00 Your Mother Wouldn't Like It: rock show. 11.00 Tony Myatt and his late night show. 2.00 a.m. Night Flight.

F.T. CROSSWORD PUZZLE No. 2,835



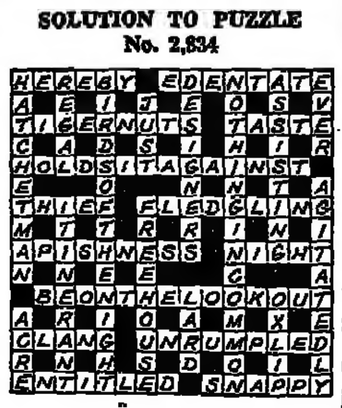
ACROSS

1 Authority makes the Upper House start a cheer (8)
5 The crippled girl gets round me (6)
9 It is nothing to be at the head of a special service unit (8)
10 The lingo of toddlers (6)
11 Therefore the city cat is ill-tempered (8)
12 Di Dors in mean make-up (6)
14 Put the finishing touch to the race in China (5, 5)
18 Part of the Principality gets a new look down under (5, 5)
22 Tailor's assistant in better health (6)
23 "I have —— longings in me" (A. and C.) (8)
24 Up-to-date peer means to tyrannise (4, 2)
25 Reckon I'm in property (8)
26 Doyle's arranged songs in the mountains (6)
27 Vouch for an airman in the black (8)

DOWN

1 Singular part of the Baptist's diet (6)
2 The disturbance gets back to us (6)
3 A party aboard does poor work (6)
4 Relating to manufacture in the river Test (10)
6 The stories are with the public prosecutor—the snake (8)
7 Beautiful spy and film star join the killers (8)
8 Troublous times, but Churchill said they were great (4, 4)
13 "I am never merry when I hear ——" (M.O.V.) (5, 5)
15 Complete employment in a serviceable manner (8)
16 Flattered total in the plot (8)
17 A bird to settle at the cobbler's (4-4)
19 Cockney tree for one who can give you socks (6)
20 Leave high and dry in a capital way (6)
21 We keep a watch on him (6)

SOLUTION TO PUZZLE No. 2,834



Glyndebourne

Intermezzo

by RONALD CRICHTON

The final production of the present Glyndebourne Festival brings further opportunities (eight more still to come) of seeing last year's rightly praised and prized staging of Strauss's domestic comedy, *Intermezzo*. John Cox's sympathetic but sharp production; Martin Battersby's elegant, affectionate fantasy on the clothes and interiors of Austria in 1924; John Pritchard's fluent, tactful handling of a score fiendishly hard to manage in a house where the orchestra is always likely to steal something from the singers, all repeat their success. The cream on this choice cup of coffee, however, is Elisabeth Söderström's mercurial portrait of Christine Storch, the not-so-imaginary composer's wife based on Strauss's notoriously irrepressible and impossible spouse, Pauline.

On the first night last year Miss Söderström gave a bravura performance which seemed to crown her distinguished, versatile Glyndebourne career. One felt she might never surpass this, yet on Sunday she was bringing to the role even more subtlety of phrase, gesture and glance. It is a long, immensely taxing part, with a spate of invective, argument, inveiglement and lyrical outpouring (mostly, but not entirely, self-pitying) in Strauss's malleable, versatile arioso, lying perfectly on the soprano voice, but competing with an orchestral part stuffed with short, workable themes cross-stitched into an instrumental fabric which cannot help distracting. Strauss may have been determined that voices and words should come through, but he refused the easy way.

Miss Söderström does not have the weight of tone a German soprano would bring to the juicier moments, but she is nimbler in the spitfire scenes, and on a second visit one realises how closely interpretation is based on the music — Christine's chatterbox themes are more like baroque toccata figures than anything one would expect from the ex-dramatic soprano who was Strauss's real life model. In any case, with a Swedish Christine and a Dutch composer-husband (Marco Bakker once again sings Robert Storch, bringing off the theatrical feat of suggesting a creative artist who might very conceivably have talent) and a possibly generous view of the Strauss's visual taste, this production is neither German-type nor closely based on the originals.

In the orchestra pit Mr. Pritchard and the London Philharmonic give the score less energy and carry-through than before but more relaxation, much more light and shade. The interludes are especially enjoyable when Strauss, with his enormous ability, is delighting in causing seemingly insignificant scraps of musical material to cohere. Even allowing for the fact that one always hears more a second time, a much larger proportion of Andrew Porter's English translation comes across than before. The cast is in most respects unchanged. Alexander Oliver remains an improbable figure as Christine's *cavalière servente*, but he must be one of the few artists to demonstrate the possibility of singing a Straussian tenor role softly. Elizabeth Gale's lady's maid Anna and Anthony Rolfe Johnson's conductor Stroh are excellent. Christine Storch's beady eye would surely have noticed that the wallpaper just inside her front door needed attention.

Lyceum

The Wailers

by ANTONY THORNCROFT

It was a struggle getting into the Lyceum on Friday night. First there were the black brothers and sisters jostling around the pavements; then the watchful police, with their indiscreetly parked vans; then the plaintive addicts, pleading for a ticket at any price; and finally the Lyceum heavies, the toughest bouncers in town.

The reason for all this bustle was, of course, Bob Marley and the Wailers, not perhaps a name on the lips of every citizen, but just about God-like down Brixton way. And that is what the Wailers are all about—not only Jamaica's top reggae group but also active Rastafarians, which raises by a few more notches the religious intensity in what is a naturally hypnotic form of music.

Reggae music got off to a bad start in this country with a succession of banal tunes, made worse by an unsubtle interpretation of the insistent reggae beat. In the hands of Bob Marley it is the blatant sound of the Jamaican (and now London) ghettoes, the mesmerising rhythm whirling young blacks into a trance while the lyrics spell out their desires and deprivations, and the melody is just strong enough to sweeten the brew.

But the music is only part of the cult. There is singer Marley himself, with his hair plaited into the "dreadlocks" of the Rastafarian sect, switching from a sardonic superiority over the audience to occasional leaps around the stage as if dispensing spells. The band keeps a low profile, although two black mama figures act out the lyrics in a contented dream.

Although the Rastafarians are not the most socially acceptable, or credible, of religious groups —they are no strangers to gaol life and their particular choice of living Deity, Haile Selassie, is *in worrying eclipse—they have a* musical grip over their congregations unequalled since the heyday of the Gregorian chant. The Lyceum surrendered effortlessly to the tunes, which are all played with a slow precision, a world away from the frenzy of "commercial" reggae.

In the stifling atmosphere, with bodies apparently creeping out of the Lyceum's ornately tarnished walls, there were some intense scenes. Little groups of fans playing their own instruments to amplify the mood; girls caught up in the music and slowly dancing into the densest part of the throng; sharply dressed blacks in peaked caps dashing around in their excitement; determined whites desperately anxious to prove their loyalty to the sound. And all the time the temperature rose, the drums pounded, and London, and reality, gave way to a distant and very distinct counter-culture.

Corot's 'Church of St. Paterne, Orleans'

Orangerie, Paris

Corot the magician

by DENYS SUTTON, Editor of Apollo

It is tempting to believe that Corot requires no revaluation. But is this so? He is an artist who has sometimes been misunderstood and, in any case, his work contains so many secrets that any chance of trying to find out more about them is not to be missed. An opportunity to do so is at hand in the exhibition of his paintings and drawings, on view at the Orangerie, until 29 September.

The scale of the exhibition suits Corot perfectly and it is one of the most delightful to have been held in the Orangerie and an object lesson for pundits on this side of the Channel. It is not a monographic exhibition in the sense that it aims at plotting the artist's development over the years and seeks to include what are now, somewhat laboriously termed, "key-pictures." It consists of the extensive collection of Corot's works in the Louvre supplemented by others from French public and private collections.

At certain periods, different phases of Corot's work have been preferred to others. In the late nineteenth century and early years of the present one, his late dreamy pictures were all the rage. Then a reaction took place and attention fastened on his figure paintings—particularly the early ones — and his exquisite Italian views.

The achievement of this gracefully hung exhibition is to present Corot's work as a whole and to show that he had something worthwhile to contribute at each stage. He was prolific and, although like many other artists, he had his off-days, his standard remained high. His range was considerable—portraits, figures in interiors, "pure" landscape and poetical rhapsodies.

The exhibition rightly includes his historical landscapes; although they are not as pleasing to modern taste as his simpler work, their importance is greater than often realised. They can be seen with clearer eyes now that closer study has been devoted to seventeenth century classical landscape and the connection is evident between *Site d'Italie*, which was acquired by the French State at the Salon of 1842, and Annibale Carracci and Poussin. Corot emerges as a painter who helps to maintain the tradition of the neo-classical concept of landscape, as one of "*les statuaires du paysage*," to quote a contemporary critic, Paul de Saint-Victor.

The Entertainment Guide is on Page 6

Corot is also shown as a religious painter in the *St. Jerome* (1837), which aroused Gautier's enthusiasm and is surely indebted to Poussin, and *Baptism of Christ* (1847). So much emphasis has been placed on Impressionism in French nineteenth-century painting that it is easy to overlook that a tradition of religious art also persisted to which Corot contributes. Others who did so were Puvis de Chavannes and later Maurice Denis.

Corot's delight in tender intimate painting appears in the earliest picture shown—a small view of the park at Saint-Cloud in which his gift for catching the mood of a motif is evident. He was lucky enough to have gone to Italy as a young man and his contact with Rome was a revelation to him. He painted such familiar views at the Castle of St. Angelo and the Colisseum.

He reverted to the earlier tradition of Gaspard Dughet and delighted in the Campagna. What appealed to him was the contrast between scrubland and the distant view of a town—Volterra *for instance*—placed against an almost unruffled sky. It was a vision that brought out the peace of the country and the timelessness of the Roman scene. His Italian experiences (he visited the country several times) helped to refine his eye and to perfect his mastery of tonalities.

Corot's visits to Italy enriched his art in another way. They helped to release the lyrical strain in his nature. When there in 1843 he painted two of his most perfect pictures—*Tivoli, the Gardens of the Villa d'Este* and the *Valley of Papigno, Morning*—in which the compositions are bathed in a gentle affectionate light and the building related one to another with exquisite subtlety. These are paintings in which observation and the evocation of mood combine in a delectable manner.

The artist himself once wrote that, while seeking conscientous imitation, he never for a moment lost the emotion that had seized him. "The real is one side of art: sentiment completes it." Fortunately the exhibition contains some of Corot's most marvellous later lyrical canvasses, such as the *Souvenir de Mortefontaine* which was bought by Napoleon III at the 1864 Salon and which may betray the influence of Japanese art. A painting such as this or the *Etoile de Berger* (1864) stresses Corot's role as a precursor of Symbolism.

Corot's love of music is well known and he made drawings of dancers at the Paris opera. It is hardly surprising that musical qualities inform his pictures and that he often represented the dance as in his paintings of nymphs — idyllic compositions based on memory that illustrate the extent to which he was an escapist artist. Not for him the sort of comment on the human condition found in Zola or Huysmans.

The exhibition closes with some of his later figure paintings *La Toilette* (1863), one of the most beautiful nudes in French art, the three studio paintings in which timelessness is evoked, *Femme à la perle*, his most enigmatic painting, and *La Dame en bleu*, painted a year before his death. The last-mentioned is a *tour de force* of tonal paintings in which each detail contributes to the general harmony.

The pleasure of experiencing this superb exhibition is heightened by the catalogue, due to Hélène Toussaint who makes many fresh points about Corot's chronology and whose observations are perceptive. The stature of Corot's is enhanced by this notable exhibition: a pure painter with a marvellous eye and an ability to suggest the mysteries of life and nature.

Festival Hall

D'Oyly Carte in Concert

by ELIZABETH FORBES

The most dramatic — and enjoyable—item in Sunday's D'Oyly Carte concert at the Festival Hall was, ironically enough, the performance of *Pineapple Poll*. Alertly played by the New Symphony Orchestra, and lovingly conducted by Sir Charles Groves, the ballet score, arranged by Charles Mackerras from fragments of virtually all the Sullivan light operas, had just the vitality, the enthusiasm, the red corpuscles missing from most of the rest of the concert. In Mackerras's clever scoring, the tunes came over with exhilarating zest; never has the relationship of Sullivan to Offenbach seemed so apparent.

Sir Charles also conducted three other purely orchestral pieces: the overture *Di Ballo*, which began the concert, took a little while to get off the ground, but the Scherzo from the Irish Symphony was delicately balanced and included some well-phrased contributions from the woodwind; better still was the Dance of the Nymphs and Reapers from the incidental music to *The Tempest*, written while Sullivan was still a student, which made one want to hear the rest of the score. Here again the woodwind section of the orchestra distinguished itself.

All the vocal selections from Gilbert and Sullivan were conducted by Royston Nash. Avoiding those operas being performed in the current D'Oyly Carte season at the Fesival Hall—*The Mikado, Iolanthe, The Yeoman of the Guard* and *Utopia Limited*—the company was on the whole more successful with excerpts from lesser known works such as *The Sorcerer* or *The Grand Duke*, than with the too well known and routinely performed songs from *The Gondoliers* or *H.M.S. Pinafore*. Even the duet "Sing boo to you" from *Patience*, guaranteed to bring the house down in the theatre, hardly raised a laugh in the aseptic atmosphere of the Festival Hall.

A quintet from *The Sorcerer*, "We require that it's decided", was pleasantly sung while the Madrigal from *Ruddigore*, which can seem out of place in its theatrical context, also sounded well: but a lack of strong personalities in the company led to some rather anaemic performances of the solos and duets. An exception to the general air of mildness was provided by a strongly projected account of the Roulette Song from *The Grand Duke* by John Ayldon and the chorus; and James Conroy Ward, deputising for John Reed, who was indisposed, made a great deal of "If you give me your attention" from *Princess Ida*.

A section entitled rather archly "The Love Songs of Gilbert and Sullivan" produced no grand passions, but did contain a charming version of "Time was when love and I were well acquainted" (*The Sorcerer* again), sung with genuine feeling by Kenneth Sandford. The only one of the girls who managed to defeat both the acoustic and the atmosphere of gentility was Judi Merri, whose Mad Margaret in two excerpts from *Ruddigore* was invigoratingly bumptious, making "I once was a very abandoned person" (with Kenneth Sandford an unctuous Sir Despard Murgatroyd) the vocal high-spot of the evening.

1975 Southwark Summer Theatre Festival

The 1975 Southwark Summer Theatre Festival heralds the beginning of what is described as "a new era" for the Bankside Globe Playhouse. This year a bold pioneering project has provided the Playhouse with a new temporary structure, on the site of Shakespeare's Globe Theatre, which will house its productions for the next two to three years. Designed by engineer Michael Cleary of Sumaspace, the experimental structure is elliptical in shape, incorporating reinforced Fibreglass cement panels, on a circular aluminium frame.

From July 28 to August 2, the Oxford University Dramatic Society will appear in *Pericles, Prince of Tyre*, by Shakespeare.

From August 5 to 16 the Open Space Theatre will present *The Marowitz Hamlet*, directed by Charles Marowitz.

From August 18 to 23 the world premiere of the Bankside Globe production of *This Wooden "O,"* devised and directed by Douglas Cleverdon, will be presented. The cast includes Marius Goring, Jeremy Clyde and Frank Duncan and is a celebration in words and music of Shakespeare's famous Globe Theatre.

Lunchtime shows include *The Ruined Maid*, a revival of Sally Miles's one-woman show, first presented at the May Fair Theatre and now en route to the Edinburgh Festival, and *Summer Sports*, a world premiere of a play by David Edgar.

New Edinburgh premises for Demarco Gallery

The Richard Demarco Gallery —one of Scotland's leading galleries of contemporary art—has reopened in central Edinburgh. Situated at Monteith House, 61 High Street, the new gallery has exhibition space on three floors and a reception area incorporating a shop and a small coffee lounge.

The new gallery at Monteith House has opened with an exhibition of prints by the Canadian artist Pat Martin Bates.

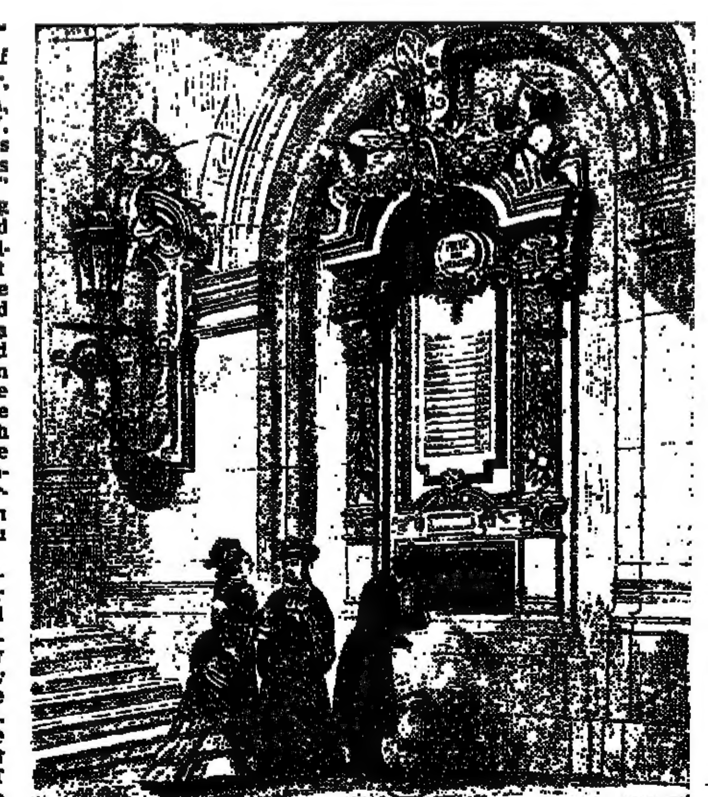
Paris Opera—2

Garnier's Palace

by RONALD CRICHTON

"What do you call this style?" asked the Empress Eugénie of the architect Charles Garnier, discussing the new Paris Opéra, "It's neither Greek, Louis XV, nor Louis XVI." "Those styles have had their day. This one is Napoleon III, yet you complain!" And though the great building now basking in its centenary and in wider understanding of mid-19th century architecture was not ready until 1875, by which time Napoleon III and Eugénie had been swept away, it is a memorial to their age. If it had not been for the Franco-Prussian War, the Siege of Paris and the Commune, the imperial couple might yet have driven in triumph to the opening, alighting at the prudently covered private entrance, below the pavilion Garnier had designed for them on the left side of the Opéra as you face it.

As far back as 1860 the town-planner Haussmann, the creator of Paris as we know it, had selected a site for a new theatre. It was to house the already venerable institution officially described as the Académie Royale de Musique et de Danse, but familiarly known as the Paris Opéra. And a magnificent site it is at a nodal point of the new boulevards, linked to the palace of the Louvre by the new avenue de l'Opéra, near the business quarter, the new residential districts, the main railway stations. Garnier was the son of a blacksmith. He trained as an architect because he was too delicate to follow his father's trade. He won the Prix de Rome and spent three years in Italy, Greece and Turkey. On his return to France commissions were slow in coming, but he was given a municipal post, and in 1861 he won the competition for the new opera, beating his most dangerous rival, Viollet-le-Duc, in the second round.



Paris Opera centenary: Buying tickets at the box office

The Opéra became — and remained—Garnier's life. He was everywhere, superintending everything, gathering round him a team of artists and craftsmen some of whom were friends from student days in Italy. They included the mural painter Baudry and the sculptor Carpeaux, whose group "La Danse" caused a scandal and was daubed, like Epstein's Rima many years later. To-day it has a place of honour in the Louvre: the copy outside the Opéra was made by Paul Belmondo, father of the film star. Théophile Gautier called the Opéra "a secular cathedral." Garnier used gilding, polychrome marbles, mosaics, textiles, with the lavish hand of a baroque architect decorating a 17th century church. It was rather a temple of Apollo and the Muses. The god himself crowns the highest point of the building, acting incidentally as lightning-conductor. Without and within there is a rich iconological graphical programme. The lyre of Orpheus is prominent. So are imperial eagles. After the débâcle, Garnier was persuaded to modify some of his references, but he refused to change the exterior, and the arrogant birds still cluster round what was to have been the imperial pavilion.

In an 18th-century theatre everything led to the auditorium, where the boxholders remained visible during the entr'actes. Garnier's auditorium has good sight-lines (except from the side seats which in any theatre *à l'italienne* have a rotten view) and good acoustics, but it is neither very large nor very elegant. He brought the emphasis forward to the grand staircase, glimpsed from the entrance but not fully revealed until a succession of barriers has been passed. The effect when the great space opens outwards and upwards is mightily impressive, a giant *Treppenhalle* crossed with one of those Night (with bats on the ceiling) baroque churches like Melk which are half theatre. The Opéra is a setting for a bourgeoisie not yet, in spite of its wealth, as sure of itself as the old aristocracy and therefore the more determined to be seen.

Garnier was a superb eclectic. His Grand Foyer, too narrow for the overpowering double row of chandeliers, is a romantic dream of luxury. Viewed with half-closed eyes it becomes a setting for Ravel's *La Valse*. The Avant-foyer, with mosaic ceilings, is more elegant. The two circular pavilions representing and Day (with curled dragons) are exquisite. The ornate Foyer de Danse is only seen by the public on gala evenings when there is a *défilé* of the entire corps de ballet. The imperial pavilion is now the museum and library (where, as readers may remember, Andrew Porter unearthed missing pages of Verdi's *Don Carlos*). The balancing pavilion was reserved for the subscribers, who foregathered for refreshment in a sort of Gothic crypt.

What amazes is the confidence with which Garnier handled his synthetic style, embracing both splendour and humble details—note, on the way up the side staircases the severely classical recesses with simple, perfectly proportioned porphyry plinths and urn-torches. Through all its encrustation the Opéra clearly reveals its purpose. Whether it is seen frontally up the avenue or at the end of an oblique vista, the cupola and stage tower immediately proclaim "a theatre," the largest and grandest theatre, moreover, in the world. When the trauma of 1870 was over and the time for opening finally arrived (there's hope yet for our National Theatre) it was not Napoleon III but Marshal MacMahon who occupied the state loge. Garnier, after all he had done, was offered a second tier box and asked to pay. Still, he stayed on as house architect, more fortunate at least than the two men who designed the Vienna Staatsoper, one of whom commited suicide while the other died of grief.

There are two centenary exhibitions. Documents, designs and plans are on view in the Grand Foyer and rooms adjacent — some of the composers' busts have had to be moved, so that Bourdelle's powerful Vincent d'Indy glowers directly at the schematic, "modern" Ravel by Leyritz, which looks the more old-fashioned of the two. Downstairs are smashing photographs of architectural details, mounted by Pathé-Kodak. Both shows are open at normal times. For once, as befits even a secular cathedral, the building hums with activity in the daytime. For the occasion, the Opéra has produced a pocket volume, the *Petite Encyclopédie illustrée*. There are also available two illustrated brochures, a homage to Garnier and a learned and interesting essay *L'Opéra de Paris* by Monika Steinhauser in the series "Les Monuments historiques de la France."

Phoenix Opera at five festivals

Phoenix Opera has accepted an invitation to appear in five summer festivals in Yugoslavia and Austria during August under the sponsorship of the British Council. Performances will be given in Dubrovnik, Ljubljana, Opatija and Portoroz as well as at the Festival of Carinthia in Villach in southern Austria. It is the first time a British opera company has appeared at any of these Festivals.

The English Bach Festival Orchestra, director and leader Carl Pini will play for Phoenix Opera and the orchestra will also give five separate concerts during the tour.

Phoenix will present operas from the English repertoire: Purcell's *Dido and Aeneas*, John Gay's *The Beggar's Opera* with music arranged by Carl Davis and John Frederick Lampe's one-act opera *Pyramus and Thisbe*, which will be the work's European premiere and is to be paired with *Dido and Aeneas*.

WORLD TRADE NEWS

REPORT FROM JAPAN

China has $667m. half-year deficit with Japan

BY CHARLES SMITH, FAR EAST EDITOR

TOKYO, July 21.

CHINA WAS Japan's third largest export market during the first half of 1975, far behind the U.S., but only a percentage point (in terms of market share) behind Liberia, whose position as No. 2 market for Japanese exports is due to the flag-of convenience system.

Japan's shipments to China rose 48 per cent. above 1974 to $1.13bn., compared with an increase of only 12 per cent. in total exports in the half-year. Imports from China were only 8.1 per cent. higher at $463m., leaving China with a trade deficit of $667m. for the six month period.

The modest increase in China's sales to Japan during the half year, however, contrasts with a decline of 7 per cent. in Japanese imports from the world as a whole, so the Chinese may not feel they have done too badly.

The saving factor in China's trade with Japan this year has been oil, which may earn the Chinese as much as $750m. for the whole year. Japan is expected to buy nearly 8m. tons of oil from China during 1975.

The major Japanese oil refining group, Idemitsu Kosan, recently announced that it was converting one of its refineries, specifically, to process Chinese oil.

China's trade with Japan during the past six months looks particularly healthy when compared with Japan's trade with Taiwan. The Taiwan trade has been greater than that with China almost continuously since the end of the cultural revolution. It was still running marginally ahead (on a two-way basis) during the first six months of last year.

In the first half of 1975, however, there was a 30 per cent. fall in Japanese shipments to Taiwan and a 25 per cent. decline in imports. Two-way trade with Taiwan reached $1.16bn. for the six months, whereas that with China was worth $1.8bn.

Motor industry output

MOTOR VEHICLE production in Japan was 3.7 per cent. higher in the first half-year than in 1974. the Japan Automobile Manufacturers' Association states. The recovery was ascribed entirely to a steep increase in output of sub-compact cars, with production of almost all other categories of vehicles in decline.

Moreover, the decline still left the industry well below the peak production levels established in the first half of 1973.

Total output of motor vehicles in the first half of 1975, according to Jama, was 3.29m. units, with sub-compacts showing a 22 per cent. rise to 2.03m. units. Car output—including sub-compacts but excluding trucks and buses—was 18.5 per cent. higher at 2.17m. units.

The figures reflect a fairly strong recovery of 20.8 per cent. in domestic private car registrations during the six months, compared with the depressed first half of 1974.

The export market for Japanese cars, by contrast, was weak and the market for all kinds of commercial vehicles remains depressed.

Output figures for the half-year confirm that the Japanese industry, one of the first to be hit by the recession, has also been one of the first to begin recovery. Japanese motor manufacturers, however, still have a long way to go before even regaining their 1973 production levels.

Dow Chemical move on local manufacture

IN WHAT could prove to be a test of the sincerity of Japan's foreign investment liberalisation policies Dow Chemical to-day announced that it had applied for a "manufacturing charter" for chlorine products in Japan.

The Dow announcement does not specifically mention the company's plan to build a big caustic soda manufacturing complex in the northern island of Hokkaido, but the manufacturing charter would be an essential pre-requisite for going ahead with the Hokkaido project.

The company has met strong opposition from local manufacturing interests ever since it announced the project. The chemical industry, however, was one of those liberalised for foreign investment in the last major round of Japanese investment liberalisation in 1973, so the authorities could have difficulty in finding a legal basis for rejecting the Dow application.

The Dow Chemical plant would produce about 350,000 tons of chlorine products a year, or roughly twice the amount Dow at present exports to Japan from its plants in other countries. The cost of the project is put at $80m.-$200m., depending on the range of upstream and downstream facilities included.

Even at the lower end of the range the project would be far the biggest foreign direct investment in Japan since the 1973 liberalisation. The plant would also be large in relation to the existing Japanese caustic soda industry, with a capacity equivalent to about 10 per cent. of domestic production, or the same as that of the biggest Japanese producer.

Japanese caustic soda manufacturers are at present engaged in a Government-sponsored programme for converting their operations from the polluting mercury process to the diaphragm process for making caustic soda. The deadline for completion is March, 1978, about the time when Dow Chemical might possibly be able to bring its Hokkaido plant on stream. But there appears to be a prospect that the 1978 deadline might have to be extended.

The industry takes the view that it would be unreasonable for a major foreign company to come in at a time when domestic manufacturers are involved in conversion programmes.

Dow has what is claimed to be a superior version of the diaphragm process. It has not licensed its technology to Japanese manufacturers. But the local industry has acquired diaphragm technology from other foreign concerns, including some in the U.S.

The company began a detailed feasibility study of the Hokkaido project last year, but revealed last autumn that the study was running behind schedule because of distortions caused by inflation and the oil crisis.

Dow now says it needs the Japanese Government's "manufacturing charter" in order to be able to collect detailed information on raw material costs, land prices and power availability with which to complete its feasibility study.

AEG office in Moscow

BY GUY HAWTIN

FRANKFURT, July 21.

AEG - TELEFUNKEN, West Germany's second largest electrical group, is to open a representative office in Moscow this autumn. The move was approved by the USSR Foreign Trade Ministry in April. The office will be responsible for strengthening contacts with the Soviet Union and intensifying the group's business relationship with the Russians. It will apparently look after the interests of all divisions and subsidiaries.

The Soviet go-ahead follows the closer contacts between AEG and the Soviet Union which followed the return to normal of relations between Bonn and the USSR.

AEG developed a substantial trade with the Soviet Union in the 1920s and 1930s, a business that was cut off by World War II. Since the war AEG has been involved in a large indirect export trade, mainly through machinery and plant construction companies.

Since the new trade agreement between the Federal Republic and the Soviet Union, business opportunities have greatly increased. The AEG subsidiary Olympiawerke has a £18.9m. contract to build an electric typewriter factory at Kirovograd for completion by 1977. It will have an annual capacity of 150,000 machines.

Swiss court to rule on air tickets

BY JOHN WICKS

ZURICH, July 21.

THE SWISS CIVIL Aviation Burea is to present its case for a ban on the sale in Switzerland of air tickets with a fictional starting point abroad. The Bureau, which intends to defend its ruling against ticket sales of this kind of last December, has taken the step following the recent decision of Swissair to copy travel agencies in procuring tickets abroad for reasons of more favourable exchange rates.

Despite the granting of currency rebates by Swissair on flights starting in Switzerland and paid for in Swiss francs, fares are much lower from weak-currency countries.

It has therefore become common practice for travel agencies in Switzerland—and now Swissair itself—to make out tickets for inter-continental flights ostensibly originating in London, Milan or other centres and routed via Switzerland.

At the next meeting of IATA it is understood that Swissair, which regards this practice as a temporary emergency measure to protect its own income and traffic, will apply for the imposition of higher currency rebates in Switzerland and higher currency levies in Britain and Italy.

Swedish export volume falls

By William Dullforce

STOCKHOLM, July 21.

EXPORTS OF several of Sweden's most important products dropped sharply in volume during May, the Central Bureau of Statistics reports. Price increases kept the total export income at about the May 1974 level, but export income of Kr.5.9bn. (£655m.) was Kr. 811m. (£90m.) below April.

The May figures confirm the decline in the volume of sawn timber and pulp sales, which were respectively 43.6 and 24.8 per cent. lower in the first five months of 1975 than a year earlier. They also disclose an accelerated fall in exports of finished iron and steel and of paper and cardboard.

The volume of iron and steel exported dropped 37 per cent. compared with May, 1974, and 18 per cent. over the January-May period. Paper and cardboard exports fell 30 per cent. in volume during May and were 21.1 per cent. lower for January-May.

Engineering exports are understood to have held up well, with machinery and transport equipment recording a rise of nearly 18 per cent. in value for the first five months. Figures for export volumes are incomplete, but car exports rose during the five months to 79,700 this year against 70,460 in 1974.

Preliminary import figures for May indicate a drop of Kr.250m. (£27.8m.) from May last year to Kr.6bn. (£667m.), resulting in an overall increase in the value of imports for the five months from Kr. 28.35bn. (£3.15bn.) last year to Kr.31.9bn. (£3.54bn.) this year, giving a trade deficit for the period of Kr.1.1bn. (£122m.) compared with Kr.600m. (£67m.) last year.

The Bureau points out that the definitive trade balance can be changed substantially even by minor corrections to the preliminary import figures.

Contracts Abroad

ASEA, Sweden, has a turnkey order worth £13.8m. from the United Arab Emirates for eight diesel electric power stations with a combined generating capacity of 37,000 KW. They will be built during 1976 and 1977.

Another ASEA contract is from Iran to supply switchgear, thyristor drives and DC motors costing £2.9m. for the copper concentrator and smelter plant being built by the state-owned Sar-Cheshmeh Copper Mining Company. The mill is expected to be in full production in 1977. It will process about 42,000 tonnes of ore per day and yield 145,000 tonnes of blister copper annually.

ATELIERS de CONSTRUCTIONS MECANIQUES de VEVEY will provide equipment for manufacture of methane transport spheres to Quincy Shipyards, Boston, U.S., for £7m.

Iran scheme for 49% stake by employees

By Robert Graham

TEHRAN, July 21.

THERE WILL be no difference between foreign and Iranian companies in implementation of the scheme to give 49 per cent. of shares to employees, Mr. Hushang Ansari, the Finance Minister told me. Explaining the recently announced scheme, he described its aim as to create a more equitable distribution of wealth.

Mr. Ansari said that 320 manufacturing companies had been elected to initiate the scheme, which has already been working on an experimental basis for three years with 37 companies. The companies will be obliged, by October, 1978, to have sold off 49 per cent. of their shares to their employees or the public. Their current registered capital is over $1.5bn.

The Minister stated that a first batch of 106 companies would be expected to have begun offering shares to the public by the end of the financial year—March, 1975. The minimum criteria chosen was registered capital of $1.5m., fixed assets of $3m. or a turnover of $3.75m.

Among the foreign companies affected are British Leyland, Esso, General Motors, Dorman Diesel, B. F. Goodrich, Citroen, and Iran Alladin. Together, the 106 companies represent a combined registered capital of $707m.

To enable employees to buy shares a special $15m. credit institute will be established to provide 4 per cent. ten-year loans up to $1,500. Those shares not taken up by employees, eligible after three years' service, would be offered first to other industrial workers and then farmers.

To absorb shares not taken up in any of those ways, a $150m. National Investment Company is being set up, subscribed by the Central Bank, Bank Melli, the Industrial Mining and Development Bank and leading insurance companies. This company will then offer shares to the public.

The share price, according to Mr. Andari, will be evaluated on the basis of returns over the past three years. Companies selling shares will be exempt from capital gains tax if they plough back the proceeds into the plant.

Mr. Ansari said he had no objection to existing management agreements—which, for instance, specified budgetary control by the foreign investor—providing they did not go against the spirit of the scheme.

"We feel that this scheme will strengthen relations between all elements involved in manufacturing. It encourages greater production, a greater sense of belonging and a greater sense of social acceptance," Mr. Ansari declared.

Banks are not affected by the scheme.

IN BRIEF

Italian colour TV

The Italian Electrotechnical Industry Association has asked the government to block imports of all foreign-made colour television sets for 12 months, and impose import quotas for one year thereafter. Italy "wants to avoid a flood of German-made colour TV's," it was said. The Italian government's economic planning body is to examine, possibly next week, the choice and timetable for introducing colour TV in Italy.

Malaysia trade

Chase Manhattan Bank, New York, says Malaysia appears certain to have it first trade deficit this year. Depressed commodity prices for exports, the high cost of imported oil and growing domestic consumer demand are held responsible.

Yugoslav credit

Yugoslavia is to set up a specialised bank to finance exports of equipment, ships and construction work abroad, replacing the Export Credit and Insurance Fund which has proved unsatisfactory. The bank, whose operations may be guaranteed by the National Bank, should start up on January 1, 1976.

Swiss TV

The Swiss Commercial Television Corporation which administers advertising blocks in the TV services of the three language areas, announces an 8 per cent. increase in spot prices—from January 1, 1976. A 60-second spot in all services goes up to Sw.Frs.15,800 (£2,772) with individual minute rates of Sw.Frs.12,640 (£2,217) for German-speaking Switzerland and Sw.Frs.6,320 (£1,100) each for the French and Italian language services respectively.

Gas deal

Swissgas, Zurich, has agreed with Ruhrgas, Essen, to supply natural gas to Switzerland from October 1, 1977. Annual deliveries will begin at 150m. cubic metres and increase gradually to 700m. cubic metres by 1982-83.

Credit for Spain

ECGD has guaranteed a £500,000 Williams and Glyn's bank loan arranged by Tozer Standard and Chartered with Banca Catalana, Spain, enabling Spanish buyers to order U.K. plant, capital equipment and associated services.

Renault-Fiat

Renault and Fiat are exploring the possibility of joint development of diesel engines for private cars, Renault stated, but would not elaborate. Through subsidiaries, the two groups already jointly make diesel engines for trucks.

THE FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscriptions $190.94 (air freight) $381.88 (air mail) per annum. Second class postage paid at New York, N.Y.

AMERICAN NEWS

Argentinian Economy Minister resigns

By Robert Lindley

BUENOS AIRES, July 21.

PRESIDENT Maria Estela Peron, forcibly separated on the week-end from her *eminence grise*, Jose Lopez Rega, to-day reluctantly accepted the resignation of Economy Minister Celestino Rodrigo, a Lopez Rega protege.

The four other Lopez Rega men in the cabinet—the Ministers of Social Welfare, Labour, Foreign Affairs and Education—are also expected to be dropped. Sr. Lopez Rega departed for Madrid on Saturday night, under pressure from the armed forces, the unions, the Roman Catholic church and political figures.

On arrival at Madrid's Barajas Airport to-day, Sr. Lopez Rega said that he had gone to Europe as Sra. Peron's "Minister Plenipotentiare" but it is doubtful that his role as a Presidential envoy will be significant and should he return to Argentina, he would face possible criminal charges. To-day, a federal judge, responding to a lawyer's petition, asked the Defence Ministry to divulge information reputedly in its possession linking Sr. Lopez Rega with the extreme Right-wing terrorist group, the Argentine anti-communist alliance (AAA).

Sra. Peron was obliged to accept Sr. Lopez Rega's resignation as Social Welfare Minister and Presidential private secretary on July 11, but he remained in the Presidential villa, and his influence over the President throughout last week did not diminish. On Saturday, the San Martin presidential grenadiers disarmed and evicted Sr. Lopez Rega's corps of bodyguards from the Presidential quinta. A few hours later, Sr. Lopez Rega left the country hurriedly, aboard a Presidential jet as far as Rio de Janeiro.

The new era in Government may have begun this morning when the top echelon leadership of the powerful General Confederation of Labour (CGT) handed Sra. Peron their own programme for getting Argentina out of its economic and political crisis. The CGT leaders left Sra. Peron in Government House after an hour's audience—CGT Secretary-General Casildo Herreras reporting that her condition was "not ideal" for carrying on these conversations.

FORD 10-DAY EUROPEAN TOUR

WASHINGTON, July 21.

PRESIDENT FORD will visit West Germany, Poland, Romania and Yugoslavia during a 10-day European tour beginning on July 26, the White House announced to-day.

The tour will take place before and after the President's previously announced trip to Helsinki to attend a three-day East-West summit winding up the European Security Conference.

Reuter

Ford expected to veto oil Bill

BY ADRIAN DICKS

WASHINGTON, July 21.

PRESIDENT FORD was expected to-day to veto the Bill passed last week by Congress to extend price controls on domestically produced oil, setting the stage for a direct trial of strength with the Democrats.

After a meeting with the President this morning, Mr. John Rhodes, the Republican Minority Leader in the House of Representatives, said that he was hopeful that some compromise might yet be made between the Congressional Bill and the proposals put forward last week by Mr. Ford himself.

The White House, however, is discouraging any suggestion that Mr. Ford will step down from his own plan for gradually lifting oil price controls and using the market mechanism to achieve substantial savings in energy use.

There is little obvious common ground between the two approaches. Mr. Ford wants, over the next two-and-a-half years, to de-control the $5.25 a barrel price of "old" oil (defined as the output of wells which existed before 1972). At the end of the two-and-a-half years, it would be allowed to find its own market price. "New" oil, meanwhile, would be allowed to rise in price up to a ceiling of about $13.50.

This plan has run into heavy opposition from Democratic leaders, who fear the potential consequences for retail prices of lifting controls. Senator Hubert Humphrey claims that Mr. Ford's proposals would lead to a 0.35 per cent. decline in Gross National Product, a 0.1 per cent. increase in unemployment and 2.3 per cent. increase in the consumer price index by the first quarter of next year.

The President, however, insists that the Congressional bill, freezing old oil prices and reducing new oil prices to $11.28 a barrel from September 1, would do nothing to tackle the problem of growing dependence on imports.

While the Administration expresses confidence that both vetoes could be sustained, it also has to recognise that the Democrats have the power to vote down the President's own plan. In this situation of potential impasse, Mr. Ford would hope to count on his own growing popularity in the country to help him push his proposals through.

If no action is taken before the August Congressional recess, however, present controls will merely lapse, with a clear promise of major price increases on September 1.

Aluminium price hearings

BY ADRIAN DICKS

WASHINGTON, July 21.

THE FORD administration opened hearings to-day to examine publicly the aluminium industry's reasons for its proposed 2 cents a pound round of price increases.

The Council on Wage and Price Stability, which is conducting the exercise, has no power to prevent or even to delay the increases—though it managed to exert enough informal pressure on the aluminium companies to get them to agree to a 30-day pause in implementing the new prices.

The manufacturers were expected to point to steady increases in costs to justify the price rises, including higher bauxite prices and higher labour, energy and other costs. For the most part they appear to be confident that the market will bear the price increases in spite of the current state of demand.

However, the Council on Wage and Price Stability has had some success in the past in bringing down proposed industrial price increases, including persuading the steel industry at the end of last year to reduce the size of a round of increases.

New York wage freeze

BY JAY PALMER

NEW YORK, July 21.

NEW YORK City Mayor Abraham Beame this morning confirmed that he had agreed with leaders of the Municipal Assistance Corporation on a specific programme of fiscal economies to pull New York City back from the brink of insolvency.

These latest measures, which have been opposed from the very beginning by most of the city's militant municipal unions, involve an immediate wage freeze at July 1 levels, selective salary cuts adding up to a 10 per cent. drop in total salary expenses, and still more employee layoffs.

The Mayor said that the legality of these moves, which have been threatened with court challenges, would be firmly established once they have been studied and ratified by both the City Council and the City Board of Estimates.

At the same time, officials of the Municipal Assistance Corporation, the new State body created to raise funds for the city in the public debt markets, publicly warned union leaders that they would have to accept the economies. Mr. Thomas Flynn, chairman of the MAC, warned that the only alternative was labour unrest, insolvency and bankruptcy.

New York City's municipal unions appear to be largely divided down the middle over the extent of the economies necessary to cure the latest crisis. While many of the blue and white collar unions appear to accept the inevitable and are pushing for a workable compromise, the police and firemen's union are proving more militant. Several warned yesterday that they would prefer bankruptcy to a wage freeze.

Lobster claim may spark row with U.S.

By Our Own Correspondent

NASSAU, July 21.

A BAHAMAS Government order designating the spiny slipper and spotted lobster a creature of the Bahamian continental shelf is threatening to trigger violent confrontations between U.S. and Bahamian authorities.

The order, which comes into effect on August 1 will put 10,000 square miles of the most lucrative lobster grounds off limits to Florida commercial fishermen. Although the U.S. Government has said that it will honour the law, the fishermen, most of whom are Cuban-Americans, say that the ban will affect the livelihood of 5,000 people unless the Bahamas is prepared to negotiate and allow American fishermen access to international waters.

In the past there have been a number of shooting incidents when Floridians found poaching within the Bahamas 12-mile fishing zone have opened fire on Bahamian fishermen. In the last ten years, Americans have poached an estimated $35m. worth of lobster from Bahamian waters.

Bahamian authorities are concerned that this year-round fishing in violation of Bahamian closed season laws will deplete the lobster stock. One of the difficulties in reaching a negotiated treaty between the two countries is that the state of Florida will licence only non-American Cuban exiles to fish outside American territorial waters. Under the new law, poachers will be subject to a $10,000 fine and/or one year's imprisonment and confiscation of the offending vessel.

The Bahamian lobster legislation is almost a word-for-word copy of a 1973 U.S. law declaring the marine lobster a national resource.

Chicago bank raises prime rate to 7½%

By Jay Palmer

NEW YORK, July 21.

THE FIRST National Bank of Chicago this morning announced that, as from to-morrow, it will lift its prime lending rate ¼ of a point to the 7½ per cent. level established last Friday by First National City Bank of New York.

While the last few days have seen many smaller American banks follow the upward trend by lifting their primes to 7½ per cent., this is the first instance of any other large bank moving to 7½ per cent.

The First Chicago upward leap coincides with further evidence this morning that most key short-term money market interest rates are moving slightly lower.

U.S. STEEL INDUSTRY

Lagging behind the cycle

BY GUY DE JONQUIERES, NEW YORK CORRESPONDENT

THE U.S. STEEL industry still appears to be in a deep decline at a moment when other sectors of the economy are cautiously awaiting the first signs of a recovery. During the first five months of this eyar, total shipments amounted to only 35.8m. tons, 26 per cent. less than during the same period of 1974, and no decisive evidence has yet emerged that the market has yet reached bottom.

Th slide only began recently. It did not really become evident until early spring, and its depth and abruptness took the industry by surprise. Only last January, Mr. Edgar Speer, the chairman of U.S. Steel, was forecasting that shipments this year would fall only about 8 per cent. below the 109.5m. tons of 1974, the second-best year on record. To-day, some forecasters are suggesting that the 1975 total could fall below 90m. tons, the lowest since 1971.

A major reason why the industry remained buoyant for so long after the rest of the economy was moving into an accelerating recession was the coal miners' strike late last year. Anticipatory buying caused a boom in orders in the months before the miners' wage negotiations got under way. Enough of these orders remained in the pipeline after the strike was settled to provide continued demand into the early weeks of 1975.

Another counter-cyclical factor was the rush to develop new oil reserves, which got under way last year following the sharp rise in world oil prices. It brought a surge of demand for piping and related products, and until late last year many of these items were short. This demand, combined with the coal miners' strike, also led to an influx of foreign steel into the U.S. Imported stocks have only recently begun to fall back to normal levels.

It is now clear that the after-effects of the coal strike created much confusion in the industry. A number of steel companies blame it for distorting buying patterns and complicating mill schedules, with the result that the industry misjudged the approaching drop in demand. During the first quarter, shipments fell by more than 20 per cent., but production was pared back by only about 7 per cent. and stockpiles began to build up rapidly.

Most steel companies have slowed operating rates at their mills and laid off workers, and some plants have been temporarily closed. The major steel producers have not announced any price cuts, but backdoor discounting is rife. Some small companies are offering discounts of up to $40 a ton, and even larger concessions are said to be available on stocks of imported Japanese steel.

One of the consequences has been to cut deeply into profits. Some Wall Street analysts now estimate on the basis of initial results, that second quarter profits could drop overall by as much as 50 per cent. below their 1974 levels. The outlook for the rest of this year offers scant hopes for a significant recovery.

The U.S. Steel Industry

	1974	1973	1972	1971	1970
Raw Steel Production (m. tons)	145.7	150.8	133.2	120.4	131.5
Total Revenue ($bn.)	38.5	28.9	22.6	20.4	19.3
Net Income ($bn.)	2.5	1.3	0.8	0.6	0.9

Source: American Iron and Steel Institute.

The second quarter performance is bound to look especially dull by contrast with the brilliant results achieved during the first quarter, when several major steel producers more than doubled their profits. But the comparison is deceptive, because profits during the first quarter of 1974 were depressed by Government controls which prevented an increase of steel prices until later in the year.

The likelihood of reduced profitability in the near-term raises critical questions about the steel industry's ability to press ahead with its programme of expanding investment in modern plant and additional capacity. Much of the investment undertaken in recent years has been financed by debt—the industry's long-term indebtedness has risen by more than 60 per cent. to almost $5bn. since 1965 — and heavy interest costs are imposing an additional drain on earnings.

Buoyed up by its strong performance last year and the advent of shortages in many commodities, the industry drew up ambitious plans to spend about $4bn. on capital projects this year—an increase of more than 50 per cent. over 1974. More than two thirds of this sum was earmarked for modernisation and replacement of plant. Officially, these plans still stand, but adverse economic conditions have caused the timetables for a number of projects to be stretched, while the starting dates for others have been deferred.

Since the mid-1960s, the American steel industry has been prodded into modernising its operations by a steady decline of its share of world output and keener competition from imports. Between 1950 and 1970 its share of world production fell from almost half to about one fifth. It has taken important steps to meet these challenges by adopting new production techniques—notably the European-designed basic oxygen furnace—and by enlarging capacity.

But if the industry is to keep pace with the times, even more formidable efforts will be needed in the coming years. A recent report by the American Iron and Steel Institute and the Arthur D. Little management consultancy estimated that annual investment spending between now and 1983 would have to be stepped up to an average of about $5.5bn. from an average of about $1.7bn. a year between 1968 and 1972.

Of this, an average of $2.3bn. a year would be for plant replacement and $1.7bn. for the expansion of raw steel production capacity. The remainder, approximately $1.5bn. a year, would have to be spent on pollution control facilities to meet increasingly stringent environmental regulations. By contrast, the industry's expenditures on such facilities amounted to less than $200m. last year.

The prospects for raising the money for these outlays in the near term do not look very promising. There is almost unanimous agreement among economists that the U.S. economy will recover only gradually during the remainder of this year, and the steel industry may well lag behind any general improvement in economic conditions. Most companies do not expect any marked upturn to materialise until next year.

More than two-thirds of the demand for American steel in normal times is accounted for by the motor industry and by construction. Both sectors have been picking up slightly in recent months, but remain weak and still have a long way to go before they recover the ground lost since early 1974.

While the longer-term outlook also remains somewhat uncertain, the industry has been encouraged for the future by two developments. The first was the so-called Experimental Negotiating Agreement worked out with the United Steel Workers in 1973, under which the union promised not to stage national strikes in support of wage demands and agreed to submit bargaining differences to binding arbitration. This should help the industry avoid the traditional sharp fluctuations in demand engendered by wage negotiations.

Secondly, the industry is pleased by provisions in the new U.S. Trade Act which authorise U.S. representatives at the forthcoming GATT negotiations to deal with industrial sectors on an individual basis and do not require them to lump different industries into the same categories. The Act also toughens up anti-dumping laws, broadening the definition of injury caused by imports and streamlining administrative procedures. The new anti-dumping rules have not yet been put to the test despite the recent surge in imports, partly because most U.S. steel companies are eager to see what the GATT talks produce before resorting to retaliatory action.

But earlier this month 19 special steel producers and the United Steel Workers petitioned for relief from imports under the "escape clause" provision of the Trade Act. The petition, which names all special steel imports from all countries, is believed to be the most extensive of its kind ever filed.

هكذا ان الأهل

Gandhi restricts debate on emergency measures

BY OUR FOREIGN STAFF

THE INDIAN Parliament's first session since Mrs. Indira Gandhi clamped a state of emergency on the country and cracked down on her opponents, began in New Delhi yesterday. The first day's proceedings were accompanied by moves which indicated that Parliament is to be subjected to restrictions like those imposed on the Press and the Prime Minister's political opponents in the four weeks that the emergency has lasted.

This emerged from the fact that Parliament agreed that the week-long session will be devoted entirely to Government business mainly approving the state of emergency. By using its massive majority, the Government got Parliament to agree to forgo the usual question hour and private members' business.

Censorship of reports from Parliament appeared to be rigid since the only despatches available in London said that many of the Opposition members were absent (they are now in jail) and no accounts of speeches by Opposition members present were available.

But it seemed that the few Opposition members present in both the Lok Sabha and Rayja Sabha (the Lower and Upper Houses) did protest against the Government's plan to silence Parliament. In the Lower House, 76 members voted against the motion to do without question hour and private members' business. In the Upper House, 32 voted against a similar motion.

That the motion was opposed was evident from the report that the session began with "noisy scenes"; these are likely to be the last dissenting voices in the coming week during which the shortest-ever session of Parliament will be held.

Mrs. Gandhi's plan to call a brief session suggests, however, that she wants to retain at least the trappings of democracy. The constitution—many key parts of which have been suspended—requires Parliament to approve the state of emergency within two months of its proclamation. But once this is done, the emergency can be continued indefinitely, and Mrs. Gandhi recently refused to commit herself on how long it will last or whether the next General Election, due next February, will be held on schedule.

Significantly, Mrs. Gandhi did not herself move the motions approving of the state of emergency. This was left to Mr. Jagjivan Ram, Minister of Agriculture, in the Lok Sabha, and to Mr. Brahmananda Reddy, Home Minister, in the Rajya Sabha. This suggests that the Prime Minister wants to demonstrate that key senior Ministers are supporting her. Mr. Jagjivan Ram was tipped as her successor when the Allahabad High Court turned down her appeal against conviction for corrupt electoral practices, thereby setting off the present crisis in India.

The censor permitted only the speeches of the two Ministers to be reported. Both Ministers recounted the manner in which the Opposition in general, and Mr. J. P. Narayan in particular, had whipped up popular support for their campaign against the Congress and Mrs. Gandhi. Both claimed that the Opposition planned to foment unrest and use violence.

South Africa 'Gulag' charge

BY GRAHAM HATTON

JOHANNESBURG, July 21.

THE SOUTH AFRICAN Government has reacted angrily to criticisms of the special rehabilitation institutions it is setting up for African offenders against the pass laws. The institutions, some of which, according to reports, are already in existence, were described at the week-end as similar to Nazi concentration camps or Solzhenitsyn's "Gulag Archipelago" by Mrs. Sheena Duncan, leader of the protest movement, the Black Sash.

Mr. Michiel Botha, Minister of Bantu Administration, said today that Africans sent to the institutions, all of which are to be in the Bantustans, or African "homelands," needed assistance. "They are not sent there as punishment," he said. His deputy, Mr. Punt Janson, described the institutions as "preventing derelicts, idlers and loafers from becoming hardened criminals. Our purpose is to rehabilitate them into being useful members of society."

The regulations establishing the institutions, now published, describe their purpose as "the reception, treatment and training of persons committed thereto." They make clear that only Africans may be committed, who need only to have been arrested (but not necessarily charged or convicted) for having failed to comply with influx regulations (the pass laws), or have been declared "idle and undesirable."

It is these provisions, plus the detailed regulations which surround the institutions and their inmates with the secrecy currently applied to prisons, which have principally provoked criticism against them. Commenting on the regulations today, Mr. Peter Randall, former director of the Christian Action Programme, SPROCAS, said they expose "the ugly realities behind the smiling face of detente."

In terms of the regulations, an African sent to an institution is to be detained there for three years, subject to the terms of the order committing him, although the board of management may release him earlier. A person serving a prison sentence may be transferred to an institution for the unexpired portion of his term, but not for longer than three.

Each institution is to be headed by a superintendent appointed by the Minister and subject to a Board of Management. He decides "on the duties to be performed by each inmate" and has the right of search. "An inmate shall, as far as is practicable, not be stripped and searched in the presence and sight of other inmates."

Inmates are expected to work and procedures are laid down for "maintenance of good order and discipline." Offences include refusing to work and writing letters without permission and punishment includes "physical training," and separation from other inmates in a place set aside for the purpose.

There are stringent regulations concerning publicity of the institutions. Any person "who publishes any false information in respect of an inmate or concerning the management of an institution. . ." or who "causes to be published in any manner whatsoever any sketch or photograph of any inmate or group of inmates, whether or not these were taken or made before the inmate was detained, is guilty of an offence."

'Comoros invaded'

KAMPALA, July 21.

THE ORGANISATION of African Unity (OAU) said to-day that French troops and battleships were invading the Comoro Islands in the Indian Ocean and threatening to dismember the newly independent nation.

OAU Assistant Secretary-General Peter Onu of Nigeria told newsmen French warships have surrounded the Comoro island of Mayotte, where "troops are landing."

In a referendum last December, 95 per cent. of the Comorians voted to end 130 years of French colonial rule. But a two-thirds majority on Mayotte, where the French Foreign Legion has a base, favoured remaining part of France with internal self-government. The islands declared themselves independent and joined the OAU.

AP-DJ

Reuter reports from Paris: French authorities denied that troops were landing on Mayotte.

"There are no French troop movements nor naval movements around Mayotte, which in any case is French," a spokesman for the State Secretariat for Overseas Territories said.

'Israel may give up oil fields in Sinai'

NEW YORK, July 21.

ISRAELI AMBASSADOR Simcha Dinitz said to-day that Israel in its latest peace proposal to Egypt has offered to give up the Abu Rudeis oil fields in the Sinai desert and expand an American surveillance role.

But he would not say whether Israel would withdraw from the Mitla and Gidi passes.

In a television interview, Mr. Dinitz said he could not go so far as to say that Washington and Israel were in full agreement on the peace proposals presented to Egyptian President Anwar Sadat, but he said, "conceptually, we see eye-to-eye on the basic elements of the proposal." He described the U.S.-Israeli position as one of having reached an "understanding."

He said the two countries were trying to co-ordinate their positions for the Geneva peace conference to avoid a split like the one that followed the breakdown of U.S. Secretary of State Henry Kissinger's shuttle mission for a new Sinai accord in March.

"We don't want to deal with the U.S. on a crisis basis," he said.

Other elements in plan outlined by Mr. Dinitz were: Israel will receive guarantees of a source of petroleum, probably from Iran, to compensate for the loss of the Abu Rudeis fields, which now produce at least 50 per cent. of Israel's oil. The mandate of the UN emergency force will be extended for "several years." Israel is asking Egypt to end "economic and political warfare." Egypt will sign a "no-resort to force agreement," a peace pledge a step below a "non-belligerency" agreement which Mr. Dinitz said Egypt had previously indicated it could not accept.

Mr. Dinitz said Israel was now waiting for a response to its proposals which were carried to Mr. Sadat on Sunday night by the U.S. ambassador in Cairo, Herman Eilts.

UPI

Sadat weighs peace terms

CAIRO, July 21.

PRESIDENT ANWAR Sadat to-day studied Israel's proposals for an interim peace agreement before setting out Egypt's position to-morrow in a televised speech.

The Egyptian leader is expected to define Egypt's terms for permitting United Nations peace-keeping troops—whose mandate is due to expire on Thursday—to remain in Sinai and say whether an agreement with Israel is now possible.

Observers here strongly doubted that President Sadat would order the withdrawal of the 4,000-man UN force as long as there was hope of action by the United Nations or the United States to push Israel towards a settlement.

Reuter

TEN MONTHS AFTER THE ETHIOPIAN COUP

An instinct for survival

BY JAMES BUXTON, RECENTLY IN ADDIS ABABA

IN THE TEN months since Ethiopia's Provisional Military Government deposed Emperor Haile Selassie, it has shot 60 members of the former régime, engaged in a savage repression in Eritrea which has caused hundreds of deaths and driven thousands of people into homelessness and near starvation; it has embarked on a campaign against the Afar tribesmen near the Red Sea, the outcome of which is still unclear; its ruling council, the *derg*, has remained secretive and obscure, often taking potentially disastrous decisions and rushing into ill-prepared policies.

Yet it has not only survived, but has also set in train a process which may irreversibly change Ethiopia and which stands a chance of making it a more productive and richer country. As one observer in Addis Ababa put it: "What's happening here can now be seen as an historical process, not just as a military coup."

Despite petrol rationing, the result of the need for vehicles to run in convoy on the road through the Afar territory from the port of Assab to Addis Ababa, morale among Ethiopians in Addis Ababa remains surprisingly high. Insofar as it is an impressive, efficient capital Addis is a stark reminder of the dualism fostered by the previous regime—a system by which a small area of the country grew cash crops to earn foreign exchange and feed a small urban minority. Alongside it the bulk of the population lived and still lives on a subsistence basis, often having no contact with the cash economy at all.

The *derg* is now attacking the economic dualism and the attitudes which it fostered. Whereas the previous government virtually ignored the 1973 famine in Wollo and Tigre provinces until western journalists exposed it, the *derg* is making a massive effort to deal with a potentially more serious situation in the Ogaden, south east of the capital, where the Sahelian drought has, during the past few years, decimated the herds of a semi-nomadic people and driven 83,000 out of about a quarter of a million inhabitants into relief camps.

The *derg* has enlisted international help, notably from Oxfam, to provide food and relief, and a steady stream of lorries taking imported wheat heads for the area almost every day. But unless viable agricultural projects, using irrigation, can be devised, or unless the herds can be restocked, the Somali herdsmen of the Ogaden face the prospect that her livelihood will be wiped out altogether. This is a problem which the *derg* is now facing up to.

> "What's happening can now be seen as an historical process, not just as a military coup".

Every past assessment of rural poverty, low agricultural output and the problems of instituting rural development in Ethiopia has come to the conclusion that the first essential is to reform the land tenure system. In the north of the country it stifled food production by causing an over-fragmented tenure system; in much of the rest of the country most of the land was farmed by tenants who often had to pay more than half their output to the landlords in rent, and yet were unprotected from eviction.

On March 4 this year the *derg* nationalised all rural land, abolished the rights of the landlords, and offered compensation only for the agricultural machinery taken over. This compensation has not yet been paid; nor has it been paid to the foreign companies whose Ethiopian interests were nationalised earlier in the year. The State took the large commercial farms into its management, while the peasants were urged to form associations to farm their land communally, and later to decide how to share out title to it.

The negative results of enforcing such a radical policy all at once have become obvious; there has been isolated fighting in almost every province of the country between peasants or Government troops and landlords; in some provinces reform has hardly been attempted; the state has not been able to provide nearly enough of the inputs such as seed and fertiliser and oxen previously supplied by the landlords; production on many of the large commercial farms has often slumped and expatriate managers who have left have not always been adequately replaced. On the other hand the landlords are no longer a drain on the resources of the tenants. About 15,000 peasants' associations are believed to have been formed and at least in some areas cultivation has already been undertaken on a communal basis. In some parts of the country an increased acreage has been cultivated. Even on some the commercial farms, where the Government is believed to have budgeted for a sharp drop in production, production has kept up under new management, or under expatriate managers who have been retained, often against their will. Coffee, Ethiopia's major export crop, should yield well this year.

Massive problems remain to be solved: how the crop will be divided among the peasants at the end of the harvest towards the end of the year; how the peasants' associations will share the land fairly among their members; how the commercial farms will operate on a long-term basis under State management. An expert in Addis admitted that the danger of disillusion after the harvest was very great and that "the whole thing might fall apart."

But land reform has been popular not with the peasants alone but also with many administrators in the capital: the *derg* has set them a very difficult task with its precipitate action, but they seem to be tackling it with enthusiasm. "The main political problem of land reform has been solved; it is now a question of the technical details," one specialist on the subject said. Already the World Bank has provided aid specifically to deal with the problems caused by land reform and the Swedish Government is considering it.

In the face of these tremendous upheavals the Ethiopian economy is in reasonable shape. Reserves are at a safe level of about Ethiopian $600m. (about £133m.), and although exports last year were relatively poor because of poor coffee prices, imports did not rise as fast as might have been expected (probably due to economic uncertainty) and there was only a small trade deficit. Economic activity has obviously been affected by the nationalisation of most foreign-owned businesses, which has caused a drain of management from existing Ethiopian businesses. Many foreigners have left altogether and others would leave were they not prevented from doing so.

The blame for much of what has gone wrong or may go wrong in Ethiopia since the military takeover can be laid at the door of the *derg*. If marketed food supplies drop this year it will probably be because it rushed too fast into land reform; if enough food is produced but cannot be marketed because of fuel shortages it will probably be because it refused to heed advice and rushed into action against the Afars. The need to have at least 15,000 troops in the northern province of Eritrea stems from a fundamental misjudgement by which a chance was missed to make peace. Yet this is the nature of Ethiopia's present Government. It now consists of an internally divided committee of about 40 soldiers, of differing ideological and temperamental bents, under the leadership of two men, Major Mengistu and Major Adnafu. It is quarrelsome and inexperienced; it listens to advice from many quarters, not just the civilian committees it has set up to advise it, but it does not always act on the advice it receives. In the military field it is impulsive and inexperienced. Its main desire is not just to survive but to change Ethiopia irrevocably.

The *derg* has the blood of 60 political assassinations on its hands, and the 600 to 700 members of the former regime (including the ex-Emperor) who are still in prison are as good as hostages. Their presence may discourage right wing counter coups. Despite the fighting which is going on in some of the provinces (some of it not very different to the struggles which were a permanent feature of Haile Selassie's reign) there appears to be no concerted threat to the regime. The students have occasionally demonstrated for a return to democracy but their political power is very limited. The *derg's* statement that it proposes to set up a single political party may go some way to satisfy them. The only serious threat to the *derg* probably lies within the army itself. About three weeks ago the *derg* moved against the army engineers depot in Addis Ababa and put down a nascent plot to kidnap its two leaders and broadcast the news from a radio station. The *derg* retains power by virtue of its watchfulness in the capital and because, when the going becomes tough, as over Eritrea in February, it shows a powerful instinct for survival. It is after all the only body which in recent history has staged a successful military coup in Ethiopia.

EUROPEAN NEWS

WEST GERMAN SOCIAL SERVICES

The recession squeeze

BY JONATHAN CARR IN BONN

A MAN queues dismally for unemployment money—then springs aboard a plane bound for a holiday in the sun. A year later the same man—still jobless—holds out his cap before a mirror labelled "the state." The party is clearly over.

This recent cartoon marks feelings and fears which have become particularly common in the last six months or so. Few doubt that the existence of generous unemployment benefit, seemingly water-tight pension schemes and the like have been a major factor in helping maintain social peace through a period when there have been nearly 2m. people either jobless or on short time.

On the other hand, there is increasing concern about how the social security system itself can survive an extended economic setback, when the demands on its services increase by leaps and bounds while its revenue plummets. Those who said with satisfaction only recently "what would we have done without our social security system" are now tending to ask uneasily "what would we do without it."

The West Germans are proud of the system, and there is wide agreement that it is one of the most comprehensive—and most expensive—in the world. So much has been done in this field by the current Social Democrat-Free Democrat coalition, that one might almost believe social security here only really came into its own in the last six years.

In fact the origins lie with Bismarck. Insurance in some form against illness, industrial accidents and old age were all introduced in the 1880s. Unemployment benefit followed in the 1920s. Thus when the Federal Republic came into existence in 1949 and the Christian Democrats (CDU) took government responsibility they were not to lose for two decades, social security was already a part of German history. The question was not whether to have such a system, but how it should be ordered and how far it should be extended. And on the whole the CDU legislative record was impressive.

Pensions

Nonetheless, when the SPD-FDP came to power in 1969, they found plenty of scope for extension and improvement. Pensions for war victims were improved and made "dynamic"—that is to say adjusted annually to keep pace with rises in wages and salaries, so enabling those receiving them to keep ahead of inflation. The same principle (long since applied to retirement pensions) was also extended to accident insurance. Manual workers were on the same basis as office staff with regard to sick pay, and so one by one gaps were closed and apparent inequities corrected. The programme was huge—and the pamphlet produced by the Government to inform citizens of the rights available to them in the social policy field became a book more than 100 pages long.

> The outlook is for less revenue for the social services than expected, and greater demands on its resources.

So, it is hardly surprising that the West German budget in the social affairs field more than doubled from DM141bn. in 1968 to DM286bn. in 1974. More to the point, expenditure grew as a proportion of GNP over the same period from 26 per cent. to 28.5 per cent. At the end of last year, the administration's prophets of social expenditure envisaged a total of DM430bn. in 1978, or 29.1 per cent. of GNP.

But the estimates are coming unstuck as expenditure on benefits continues to spiral upwards while revenue declines. For example, from the start of this month some 13m. pensioners received an 11 per cent. increase due to them under the "dynamic" payments system—at a cost over the next 12 months of around Dm.10bn. Then it will be time for another rise. But meanwhile there are still more than 1m. unemployed and the economy, which the Government estimated would grow by 2 per cent. in real terms, now seems bound to show minus growth. This means a major review of Government expenditure plans and borrowing requirement. For instance, the Government budgeted for payments of Dm.3.2bn. to the Federal Labour Office to help pay unemployment benefit. The total needed for the year now seems more likely to be Dm.9bn.

While the Government is having to pay out more than it expected, income from social insurance contributions has dropped. The rule of thumb is that for every 250,000 unemployed, income to the pension insurance funds drops by around Dm.1bn. The 1975 shortfall here now seems likely to be two to three times larger than the estimate made at the beginning of the year.

That is the short-term problem, and it is manageable with more or less short-term measures. But in the longer run there is the well-grounded fear that even when the economic upturn comes there will remain a pocket of structural unemployment larger than anyone envisaged even a year ago. The annual level of wage increases looks like being smaller than estimated too. On top of that comes a decline in birth rate more sharp than expected, while medical and other care continues to improve the life expectancy of the elderly. The outlook is thus for less revenue for the social services than expected, and greater demands on its resources.

There would seem to be only two ways out. Increase social security contributions or make cuts in the present system. Probably the answer will lie in a bit of both. But the Government will have to move with extraordinary care.

Take the first solution, involving higher contributions. At present an employee pays around 15 per cent. of his wages or salary towards social security—nine per cent. towards his pension, five per cent. for sickness insurance and one per cent. towards unemployment benefit (which currently stands at 68 per cent. of the jobless person's former net income.) The employer matches these payments. It is common to hear that the limit has now been reached of what both sides are willing—indeed able—to pay.

It is, of course, a matter of dispute whether such an absolute limit exists. But it is plain that a further rise would make the Government highly unpopular—and employers would renew with still greater force their claims that the increasing social burden is eating away their profits and hamstringing their ability to invest. Already they point out that for every DM100 they pay out in money wages, they have to find some DM60 more for fringe benefits, including social security, contributions to workers' capital formation, training schemes and the like. The argument runs that if the Government really wants a firmly-based economic upswing based on appreciable investment, then it must cut the tax and social security burden on business, not increase it.

As for trimming the system, this is spoken of largely obliquely and in whispers. It is easy to see why. The very suggestion that, for example, retirement pensions might not be able to be paid at the level previously foreseen would be bound to bring a cry of public horror and an immediate sharp rise in personal saving. Since savings are abnormally high anyway and are one of the factors blamed by the Government for holding back growth in demand at home, no one is willing to risk such a course. A reduction in the amount of unemployment benefit is even less thinkable, though presented in the right way, some reduction in the number of those eligible might be made.

One standing joke repeated with even more bitterness nowadays, involves the out of work actor who draws unemployment benefit in order to pay for his riding lessons. If the Government were able to introduce measures excluding such persons from social benefit, it might receive widespread commendation. But all the same it will not save much money.

Insurance

If there is one sector where costs might be cut, it is the health insurance field. Suggestions from some in Opposition ranks that the individual should have to make a greater private contribution to his medical costs have been rapidly rejected by the Social Democrats. But Chancellor Helmut Schmidt is known to feel that the structure of the system itself is unwieldy—involving as it does some 1,500 official sickness insurance organisations. While doctors and hospitals are generally of a high standard, there often appears to be a lack of planning and co-ordination of medical services.

So far the Labour Minister Walter Arendt and the Health Minister Katharina Focke have limited themselves to appeals for all those concerned to take action to keep down rising costs. In a field where expenditure has quintupled over the last 15 years, and where DM50bn. is expected to be spent this year alone on doctors' services and medicaments, it is easy to see why. It is possible that the Government may be forced to give up appeals and seek a legislative path to reorganisation and cost-consciousness. But no one underestimates the difficulty of such an approach, or the time required to achieve a result worth having.

Bonn may pay more of Rhine army costs

By Malcolm Rutherford

WEST GERMANY is ready to make further financial payments to Britain next year to help offset the foreign exchange costs of keeping British forces on the Rhine, according to well-informed diplomatic sources. The sources also said that the West Germans are now willing to seek a new offset agreement with the U.S., despite earlier suggestions to the contrary.

The subject is likely to be touched on briefly when Mr. Harold Wilson, the Prime Minister, visits Hamburg for talks with Chancellor Schmidt on Thursday.

The present Anglo-German offset agreement runs for five years and expires on March 31, 1976. When it was negotiated, it was suggested by both sides that it would be the last of its kind and a recurrent source of friction in Anglo-German relations would be removed.

The Germans now feel, however, that the weakness of the British economy, which has already led to defence cuts, means that further payments should be made, if only to reduce any pressure for cuts in the British Army on the Rhine.

The 1971-76 agreement pledged the Germans to endeavour to place "substantial orders" in Britain in the military field as well as, where possible, to promote civil purchases. A further clause provided for a non-refundable payment to Britain of DM550m. (just over £110m. at to-day's rate of exchange) in five annual instalments.

The latest U.S.-German offset agreement ran for two years and expired on June 30. At a recent Press conference, Chancellor Schmidt appeared to suggest it would not be replaced. The word now is that the Germans have changed their minds and that there will be a new agreement, but that it will be less generous than a new agreement with Britain because of the different economic circumstances of Britain and the U.S.

Fahd starts Paris visit

By Rupert Cornwell

PARIS, July 21.

THE THREE-day official visit to France by Prince Fahd of Saudi Arabia is expected to open the way towards greater Franco-Saudi co-operation, including a possible long-term oil supply deal.

Prince Fahd was accompanied by the Saudi Foreign Minister, Prince Saoud Iven Feisal, and the Saudi Oil Minister, Sheikh Yamani, and was met at Orly airport to-day by the French Prime Minister, M. Jacques Chirac. Prince Fahd will also have talks with the French President, M. Valéry Giscard d'Estaing.

Although the emphasis of the discussions is likely to be economic, and above all on a widely-reported ten-year arrangement whereby France would receive an annual 10-15m. tons of Saudi oil, the French Government will not miss the chance of examining with representatives of the world's biggest oil exporter France's plan to reconvene the producer-consumer conference.

Crisis meetings in Nicosia

By Our Own Correspondent

NICOSIA, July 21.

THE CYPRUS President, Archbishop Makarios, convened a special meeting of his Cabinet and his "National Council" this evening to consider the Turkish threat to expel some 10,000 Greek Cypriots from the Turkish occupied North of the Island.

The threat, in the form of an ultimatum, was made yesterday by the Turkish Cypriot leader, Mr. Rauf Denktash.

However, U.N. officials arranged a meeting to-day in Nicosia between Mr. Denktash and the Greek Cypriot negotiator, Mr. Glafkos Clerides. The two men met for more than an hour, and observers said they believed the meeting helped to ease the tension somewhat.

Our U.N. Correspondent adds: Dr. Kurt Waldheim, the U.N. Secretary-General, who is due to convene the third round of the Cyprus talks in Vienna on Thursday, reported to the Security Council to-day that the U.N. peace-keeping force in the island is in severe financial difficulties. No contributions had been received for the six-month period to December 15, and the deficit, which was growing rapidly, amounted to $33.8m.

Miss Onassis may marry

By Our Own Correspondent

ATHENS, July 21.

MISS Christina Onassis, heiress to shipping tycoon Aristotle Onassis' vast fortune, may marry Mr. Alexander Andreades, the son of a Greek multimillionaire, in a surprise wedding to-morrow, well informed sources said to-day.

Mr. Andreades, 32, is the son of Professor Stratis Andreades, whose business empire in Greece covers banking, shipping, shipyards, fertiliser plants, insurance companies and hotels. The young Andreades is an engineer and is the managing director of his father's Eleusis Shipyards, Greece's second major shipbuilding and shiprepairing yards.

Miss Onassis to-day visited Premier Constantine Karamanlis to present him with a $5m. cheque for national defence purposes.

Antunes stays in Lisbon as Goncalves' problems grow

BY JANE BERGEROL

LISBON, July 21.

WHILE THE Communist-dominated Press to-day emblazoned a confident and smiling General Vasco Goncalves across its front pages in an attempt to boost the Prime Minister's failing image, the General was running into ever deeper difficulties in forming a fifth provisional Government for Portugal.

Major Melo Antunes, the Foreign Minister and a man widely regarded as a candidate for the Premiership, cancelled a trip to Brussels to remain in Lisbon ostensibly "because political conditions are not right for talking about aid with EEC" and was thus able to attend this afternoon's Supreme Revolutionary Council meeting amid signs that President Costa Gomes may seriously be considering asking him to form a new Government.

The Armed Forces Movement's Fifth Division put out yet another pro-Gonçalves communiqué this morning. The Communists and the extreme Left clearly feel they must support General Gonçalves in order to get rapid implementation of the armed forces' "direct democracy" plan. The alternative, a new prime minister and a compromise with the political parties bringing the Socialists and Popular Democrats back inside a mixed civilian-military government, would slow the plan.

A compromise with the parties was clearly suggested by President Costa Gomes' appeal on Sunday for politicians "to put the national interest above party obstacles" and allow their representatives to join a new government. This, he knows, would only be acceptable to both Socialists and the Popular Democrats under a new premier.

This afternoon, Dr. Mario Soares, leader of the Socialist Party, was called to the presidential palace for consultations, apparently without forewarning, prompting speculation that the Supreme Revolutionary Council was considering asking him his conditions for permitting some Socialists to return to a "non-party coalition" that would in fact represent all the country's major parties.

Although General Gonçalves to-day pledged he would have a new cabinet "by the end of this week," more ministers and secretaries of state began imposing "political conditions" for their continuing in harness. The feeling is growing that Cabinet members are deserting a sinking ship. The entire mixed military-civilian team at the Ministry of Public Works and Environment resigned en bloc last week.

There is also the growing awareness on the part of the Communist Party that the Prime Minister's departure would be taken as a victory for Socialist and Popular Democratic supporters, and encourage both parties to press ahead with more demands. This situation might, the Communist Party believes, further inflame unrest among ordinary people who have opted for social democracy, realise their strength and try further to flex their muscles against the Communist Party.

Fourteen of its local offices have now been raided, virtually with impunity. The logic behind Copcon's failure to intervene as earlier this year they failed to stop Leftists attacking the Right—is that such action would be quickly used by enemies of the Armed Forces Movement to accuse it of being a repressive force against the will of the people.

However, unless there is some evidence of firm action to stop such looting and arson, the mob actions are likely to multiply in towns and villages throughout the country as villagers take courage from the examples set by their neighbours.

● Copcon security forces are now off their full alert, and General Otelo Saraiva de Carvalho, Copcon's commander, left for Cuba this morning at the invitation of the Cuban Defence Ministry to study the Cuban model of Socialism.

Fanfani under greater pressure

BY ANTHONY ROBINSON

ROME, July 21.

THE AGONISING reappraisal of the Italian Christian Democrat party's political programme and leadership question continued to-day in a welter of intricate back stage negotiations. Factions representing over 70 per cent. of the party have publicly withdrawn their support from party secretary Amintore Fanfani and the principal problem under discussion is how to replace Sig Fanfani without provoking a Government crisis which would further damage the party's standing in the country.

The formal debate at the national council meeting is expected to conclude late to-night and Sig. Fanfani is due to sum up to-morrow. Leaders of the largest internal faction, the Doroteo, together with the faction led by Sig. Giulio Andreotti and Sig. Emilio Colombo, are working on a three-part document aimed at crystallising the party's attitude towards the current inter-party negotiations for the constitution of city and regional councils and a statement of support for the present Government led by Sig Aldo Moro.

Faced with the open revolt within the party, Sig. Fanfani has been under strong pressure from all sides to facilitate his almost inevitable removal from office by not insisting on a formal vote of no confidence which, under party rules, would delay the agony for another ten days.

This insistence on a public vote reflects the depth of Sig. Fanfani's bitterness at being deprived of power by men who up to the elections had always voted in favour of the party line put forward by him.

The proposal which has now emerged is for a collective secretaryship to see the party over until a full scale national congress meeting this autumn. This would allow negotiations to take place with the Socialist party in particular aimed at establishing the basic shape of a new Government to succeed the present two party coalition of Christian Democrats and Republicans.

This is the political significance behind the manoeuvres aimed at unseating Sig. Fanfani. As party secretary Sig. Fanfani, backed up by a significant part of the party who now oppose him, refused to allow the Socialist party a greater share of cabinet posts and other power positions within the Government.

Now the CD party urgently needs the co-operation of the Socialist party both to form a more broadly based government and to minimise the marked tendency of the Socialist party to form new power sharing agreements with the Communist party at a city, provincial and regional level. The Socialists have made quite clear that they are not prepared to re-negotiate a new alliance with the Christian Democrats, until Sig. Fanfani is replaced with a new leader with a more open approach to their demands.

In his speech yesterday Sig. Moro openly acknowledged the key role of the Socialist party in the new political situation which has emerged after the local and regional elections of June 15. Now that the CD party has lost a significant part of its former large working class support, and lost two votes on its left wing for every one it picked up on the right, it urgently needs the alliance.

Swedish output 'will fall'

BY WILLIAM DULLFORCE

STOCKHOLM, July 21.

THE INSTITUTE for economic Research has forecast a lower performance for Swedish industry in the second half of this year than the slight drop in production and roughly unchanged employment expected by Swedish companies. In its June report the Institute notes a further decline in order books during the second quarter and a significant fall in capacity utilisation, offset somewhat by stockpiling.

Even Sweden's high level of employment is showing the first signs of weakening, with only the engineering industry reporting more jobs available and a significant number of companies expecting cuts in production during the second half of the year.

Half the industrial companies consider their order backlog to be too low, compared with only a third in March, and about a third feel that unsold stocks of finished goods are too high. The upward trend in production prices has levelled off, with the initial falls recorded by sawmills and steelworks being extended to export prices for some forestry sectors and to chemicals. Companies' raw material purchases fell heavily during the first half of the year.

Only engineering has done better than expected, maintaining its production level during the second quarter with firm prices and a smaller decline in new orders than foreseen in March.

In contrast, the recession in the pulp and paper industry has bitten deeper than forecast, with a continuing decline in the inflow of orders and falling export prices expected for the second half of the year. Hopes of a revival in the timber trade have not been fulfilled.

W. German car makers still in recession

By Guy Hawtin

FRANKFURT, July 21.

THE WEST German motor industry has just published figures which show that, despite some encouraging signs, the industry is still deeply in recession. The production rate in June, however, was substantially higher than in the same month of the previous year.

Vehicle output in the first half of 1975 totalled 1.55m. units—a drop of 11.1 per cent. on the 1.75m. recorded in the same period of the previous year. Car production, at 1.3m. units, was off 10 per cent. on the 1974 first half total of 1.45m., while output of estate cars was down by a full 30 per cent. from 165,893 units in the first six months of 1974 to 115,916.

Furthermore, in terms of days worked, output last month fell below the May level. In crude terms, June production totalled 297,347 vehicles of all types—11.3 per cent. more than the May total of 267,119. However, because of public holidays only 18 days were worked in May, while the June total was 21 days. On this adjusted basis, production lay 4.6 per cent. below the May level and 6.1 per cent. above the production rate of June 1974.

According to the VDA, the West German Automobile Industry Federation, things are picking up in the home market, but the situation on the export front remains bleak. Indeed, car and estate vehicle exports in the first half totalled only 714,540 units—30 per cent. fewer than the 1.02m. recorded in the same period of 1974.

Research fund chief jailed

BY JOHN WALKER

STOCKHOLM, July 21.

COMPANY director Birger Strid, one of the four leading figures of the administration of the Wenner-Gren Research Foundation who were charged last year with gross breaches of trust, has been found guilty and sentenced to two years imprisonment and ordered to pay Kr.21m. (£2.5m.) to the fund.

Two others, law professor Ivar Strahl and provincial governor Bengt Petri, were acquitted. The fourth defendant, winner of the Nobel Prize for chemistry Hugo Theorel, has had his case deferred because of ill health.

The fund to support medical research was established before World War Two by Mr. Axel Wenner-Gren, reputed to be one of the world's richest men and founder of Electrolux, the domestic appliance corporation. At his death he left an estate worth only £5m. In 1961, a year after Mr. Wenner-Gren's death, the research foundation started to lend money to Fulcrum, the Wenner-Gren holding company, whose managing director was Mr. Strid, and later sold substantial amounts of its shareholdings, in order to continue the loans, thereby reducing its assets and capacity to make research grants.

Tourism: signs of a recovery

BY RUPERT CORNWELL

PARIS, July 21.

INTERNATIONAL tourism—after a substantial fall last year—its first such decline since the war, is showing distinct signs of a recovery.

Tourism last year bore the full brunt of the deteriorating world economic situation after the preceding winter's oil crisis. Higher transport costs, lower real purchasing power, currency depreciations and the psychological reaction to these factors brought about a 7 per cent. drop in tourist arrivals in the 24 OECD member nations and Yugoslavia.

According to the organisation's annual report on tourist trends, which has just been published here, the number of nights spent in 14 European member countries and Yugoslavia declined 4.4 per cent. to 597m. Tourism earnings rose 6 per cent. to $26bn.—after inflation a real decline of about the same proportion.

This year has seen a reversal of the trend, although the general OECD economic outlook is scarcely improving. Both total frontier arrivals and nights spent by foreigners increased in the majority of countries. For the former, Yugoslavia, France and Denmark are among the countries doing best, for the latter, the Netherlands and Austria.

The outstanding black spot is the North Atlantic. After falling 9 per cent. last year, total scheduled and charter passengers on this key route decreased a further 10 per cent. during the first five months, mainly because of the drop in U.S. visitors to Europe.

The final league table for 1974 shows that of the European countries Spain was the champion tourism earner, with $3.2bn., followed by France, West Germany and Austria, and then the U.K., which with $1.98bn. overtook Italy, which only managed $1.92bn. according to the OECD.

In contrast to Italy's decrease of 19 per cent., Britain reported an impressive gain of 17 per cent., a figure surpassed only by Sweden, Norway and Iceland.

HOME NEWS

Higher newsprint costs before end of year

BY LORNE BARLING

MANY NEWSPAPER publishers, already undertaking severe economies to offset inflationary pressures, are likely to be faced with higher newsprint costs before the end of the year.

Although the price of newsprint has doubled in less than two years, demand has fallen dramatically in recent months and domestic producers have suffered badly. As a result, Bowater is understood to be seeking a 5.8 per cent. increase from October 1 and Reed is considering whether to follow suit.

Scandinavian producers, who now supply nearly half the needs of U.K. publishers, have also made it clear that they are not satisfied with prices, particularly since the recent fall in value of sterling against the kroner.

Canadian companies, whose overall newsprint output has been reduced by a third as a result of strikes and short-time working, have traditionally followed the prices of their competitors. Now, however, they are as much as £20 a ton behind.

Bowater is running its machines about 14 per cent. below capacity and to compensate for higher costs wishes to raise the price of lightweight newsprint from £173.91 a tonne to £183.91, although this will only partially cover the rise in overall costs.

The increase would only bring its price into line with Reed, which currently charges £183.54 a tonne for lightweight. The differential has been maintained since the higher price of oil, upon which Reed depends for power, forced it ahead.

Justified

However, coal costs, wages and more expensive pulp are pushing Bowater into line. Although the company is opposed to chasing volume in a weak market, some output has been exported to the Continent in an effort to maintain sales. No improvement, and possibly some contraction, of the U.K. market is anticipated.

Bowater said yesterday that an additional £20 a tonne could easily be justified on costs and although its lower prices had helped, margins had been affected.

Reed, which is now making considerable losses on newsprint production and is heavily dependent upon imported pulp, is watching the sterling-kroner relationship carefully. It does not rule out a price rise before the end of the year.

If other producers raise their prices, it is likely that Reed will follow suit, on the basis that any additional tonnage won on price could not justify the lost revenue. Like Bowater, Reed would have to escalate prices very considerably to cover costs.

The Scandinavians, who, by agreeing to drop a currency clause in their price agreement at the start of the year, are now estimated to be worse off than before, are expected to hold talks with U.K. publishers in the autumn.

One importer said: "Although currency is beyond our customers control, we are very unhappy about price and want to discuss the matter."

Banks reject higher cheque card limit

BY MICHAEL BLANDEN

THE BIG banks have rejected requests from retailers for an increase in the £30 limit on the cheque guarantee cards because they are concerned over the level of fraud related to these cards.

The £30 limit was set some nine years ago, and has since been thoroughly overtaken by inflation. The banks have been under pressure for some time to raise the limit, with the latest request coming from the Retail Consortium, the main trade body for retailers.

They asked for a rise to £50, it is understood, and subsequent indexing of the limit. The consortium is now considering its next move, a spokesman said.

The cards provide a guarantee for cheques paid to shopkeepers for transactions up to £30 as well as backing for drawing cash from bank branches in the U.K., and are linked to similar schemes in other countries. There is strong evidence that they are popular with customers, with Barclaycard last year giving in to pressure and building a similar guarantee facility into its own credit cards.

It is understood that the banks, operating jointly, have nevertheless turned down the request from the Retail Consortium. The basic reason is that the banks continue to be worried about the dangers of fraud from stolen cards and chequebooks.

This has been a continuing problem since the cards first caught on, and a number of steps have already been taken to limit the scope for misuse of the cards. These have included the procedure under which banks stamp chequebooks when the cards are used to support a cash withdrawal so that it is possible to see when more than one cheque has been drawn in the same day.

The banks, however, remain worried about the problem and are therefore unwilling to see a rise in the limit.

One possibility — though even this is likely to be approached with caution — would be that the conditions on the cards could be changed so that they would provide a guarantee for the first £30 of any transaction rather than guaranteeing only cheques paid in relation to transactions for a total value of up to £30.

● NEWS ANALYSIS — SRI LANKA ESTATES

Clouds over a teacup

BY DAVID BELL

NEARLY 70 British companies with tea estates in Sri Lanka are waiting to hear how much compensation they can expect when the Sri Lanka Government takes over their holdings.

Some 150,000 acres which supply about 15 per cent. of the £150m.-a-year U.K. tea market are at stake. Many of the companies have been on the island for almost a century and have long accepted that sooner or later the Sri Lanka Government would take them over as it did last week.

Talks on terms were planned for later this week, but this week-end the Sri Lanka Government asked the chairman of the Ceylon Association, which represents the planters, to postpone a planned trip for about 10 days, presumably so that precise terms could be worked out in Colombo.

The average tea plantation covers about 10,000 acres. The companies include Clairmace (in which Eastern Produce has a large stake) Crosby House (five estates) Lonrho, Harrisons and Crossfield and many smaller companies quoted and unquoted.

One of these, Central Provinces Ceylon Tea Holdings, said last week that compensation at £47 an acre, as has been mooted, would be "absurdly low." But the companies are sensitive about their present image and many of them expect the Sri Lanka Government to drive a hard bargain.

Their sensitivity springs largely from a Granada television programme earlier this year which was sharply critical of conditions on some British-owned estates. This led to a fact-finding mission by six MPs and calls for a full-scale Department of Trade inquiry into the situation.

For Sri Lanka, which produces about a-third of the world's 1.5m. lbs of tea, Britain is still the largest export market, with Pakistan, the Middle East and the U.S. also taking large quantities. Last year the country earned about £80m. in foreign exchange from tea—about 39 per cent. of total foreign exchange earnings.

While a change in the ownership of the estates is unlikely to make any difference to the amount of tea available to Brooke Bond Liebig, Cadbury Schweppes and Lyons which together dominate the U.K. market, the Sri Lanka companies involved are extremely concerned about the level of their compensation and the currency in which they will receive it.

Many of them have been in Sri Lanka since the 1880s, and for many years before independence remitted their profits to the U.K. One estimate suggests that even in the ten years after independence in 1948, about £4m. a year was remitted to this country, the greater part earned in the tea plantations. After the Ceylon Government tightened controls, some £1.75m. a year was still being sent to the U.K. in the 1960s.

This has led to suggestions that the tea companies have "milked" the country since well before independence, and should therefore not be compensated at the full value of the land, but rather at a price to be agreed after their "liabilities to the people" have been agreed.

The companies deny this accusation and say they have invested in the island, and that the value of the tea land is about £300 an acre. While they do not expect to receive as much as this, they are likely to demand a good deal more than the average £47 an acre agreed between the Government and Brooke Bond Liebig recently for the company's three remaining estates.

A second important issue for the companies is whether they will be paid in sterling. Many of them have built up investment portfolios in Britain which would be greatly strengthened if the compensation were paid in sterling. If it is paid in rupees, which cannot be repatriated, "that will be tantamount to getting Mickey Mouse money," said one tea company spokesman.

The return on the estates is almost impossible to calculate, as not all companies repatriate all their profits and the balance-sheet value of the estates is not always a realistic one. But the companies insist that rising costs have put a strain on operating margins and that many estates have either lost money or barely made a profit for years.

Sri Lanka has already said that she intends to pay "proper and effective" compensation, but there is likely to be a good deal of discussion — with Sri Lanka holding most of the cards — before the issue is resolved.

OECD forecasts slow recovery from recession for West

BY WILLIAM KEEGAN, ECONOMICS CORRESPONDENT

THE WESTERN world is now poised for a recovery from the worst recession of post-war years. But in its initial stages, the recovery will be so moderate that unemployment is in 12 months' time likely to be "at best unchanged."

This is the verdict of the Paris-based international secretariat of the 24 member nations of the Organisation for Economic Co-operation and Development, in the July issue of its twice-yearly "Economic Outlook," published yesterday.

While making the accustomed plea for stronger countries to maintain expansionary measures, the OECD points out that a gentle recovery would not necessarily be a bad thing, since the background to the next upturn will be "an average annual rate of consumer price increases still around 8 per cent.—half last year's peak, but double the average of the 1960s for virtually all countries and much more than double for some."

With unemployment in the entire OECD area totalling some 15m., and real output down 4 per cent. at an annual rate between the second half of 1974 and the first half of this year, the OECD forecasts growth at an annual rate of 3½ per cent. between first half 1975 and second half, rising to 4½ per cent. between the current half year and January-June, 1976. (The measurement is gross domestic product in some cases and gross national product in others.)

But this compares with a past growth in productive potential for the area as a whole of 5 per cent. a year. And the recovery from now on is strongly dependent on the forecast for the U.S. economy, where growth at an annual rate of 5 per cent. is envisaged in the current half year and 5½ per cent. in the first half 1976.

The secretariat warns that existing employment levels may be able to provide the labour input needed in the early stages of what is envisaged as an historically slow recovery.

"Given the present forecasts for real growth, employment may not increase significantly in the U.S. and Canada until the beginning of next year. The recovery forecast for Japan (5 per cent. a year for real growth in the current half year and 6 per cent. in first half 1976) is mild by historical standards and a resumption of more normal overtime working during the next six months could provide most of the labour input."

In Italy (where output is seen falling at 1½ per cent. a year in the current half year and rising by no more than ½ per cent. a year in first half 1976) "the extremely weak demand picture would suggest a further decline in total man-hours during the remainder of this year."

Similarly in both France and Germany (where upturns are forecast at respectively 1½ per cent. and 3 per cent. this half year, and 2 per cent. and 4 per cent. in January-June 1976) "existing employees are extensively underutilised by past standards. Given the mildness of the upturns forecast for these two countries, it may not be before well in 1976 that an improvement of employment becomes evident."

In the U.K., real gross domestic product is forecast to fall at an annual 3 per cent. in the current half year and rise by an annual 1 per cent. in first half 1976, with unemployment rising to 1¼m.

"Given these employment prospects, it is probable that unemployment rates will continue to rise in every major country during the next six months," the report goes on.

The OECD notes that in the U.S., in spite of record unemployment, participation rates have not decreased significantly and the civilian labour force grew by 2¼m. workers in the year to May.

At this rate, it goes on, employment will lag behind labour force growth for most of the forecast period "and the unemployment rate may be reduced from a high of around 9½ per cent. later this year to the neighbourhood of 9 per cent. by mid-1976."

The OECD underlines its longer term fears about inflation in some detail. For one thing, it emphasises, the biggest world recession in post-war years has produced only a slight 2 per cent. to 3 per cent. deceleration in wage increases, "bringing the rate down to perhaps 12 per cent. in 1975, consistent with an inflation rate of the order of 8 per cent."

"Even though slack seems likely to increase somewhat, the prospects for a further substantial calming-down of inflationary pressures are not, at present, very promising."

The report holds out stronger hope for the containment of inflation in the U.S., Germany and Japan—where "a gradual but sustained recovery, involving the maintenance of some slack, might permit a stabilisation of the rate of inflation in the range of 5 per cent. to 7 per cent. over the next three to four years."

But for a number of other countries "it may be felt that demand management will, for some time, have to remain more restrictive than would be warranted by the degree of slack alone."

The report adds significantly: "In some of them, the instruments of prices and incomes policy may make it easier to maintain high employment conditions over the medium term while keeping inflation under reasonable control.

"The coming transition period—when, it is hoped, recession is succeeded by moderate recovery without an immediate return into double-digit inflation rates for the OECD area as a whole—could well give place to a new phase of turbulence unless there is some clearer identification of common priorities in national economic aims, and closer co-ordination of policies," the secretariat warns.

In addition to calling for greater understanding among countries of their balance of payments objectives, the report says specifically that "so long as national inflation rates differ as substantially as at present, the desirable distribution of interest-sensitive capital flows will require substantial differences between nominal interest rates."

MP seeks inquiry into over-booking in Spain

BY MICHAEL THOMPSON-NOEL

OVER-BOOKING of holiday hotels in Spain is expected to be discussed this week at a meeting between the Office of Fair Trading and British tour heads. High on the agenda will be the subject of tour operators' contracts with foreign hoteliers.

In the meantime, Mr. Teddy Taylor, Conservative MP for Glasgow, Cathcart, is to ask Mr. Peter Shore, Trade Secretary, about the "hardship and inconvenience being experienced by British holidaymakers at certain Spanish holiday resorts where accommodation has been double-booked."

He is also asking Mr. Shore to send a team of inspectors to Spain to investigate the situation, and to make a statement in the Commons.

Swan's Tours warned yesterday that it might have to divert 110 holidaymakers a week from Benidorm until the end of August, and a further 100 from Cala Millor. British Airways said it could not promise that Enterprise and Sovereign Holidays' clients would remain immune, either.

The Spanish Government was reported yesterday to be urging hoteliers to insist on contracts in which tour firms are required to pay for rooms they do not use, a system that could add up to 20 per cent. to the cost of summer package trips.

Parking penalties up to £6

BY ARTHUR SMITH

THE FIXED penalty for road traffic offences—parking, vehicle lighting and failing to display a current tax disc—will be trebled to £6 from September 1.

An order designed to reduce evasion of such penalties, will make an owner liable for some offences even though he may not have been driving the vehicle himself.

The Home Office said yesterday that the owner-liability provisions were introduced following "the serious weakening of the fixed penalty system by the large proportion of drivers — many of whom were owners — who did not pay and persistently evaded police enquiries."

The Automobile Association said last night that owner liability would have a significant impact on the enforcement and effectiveness of the regulations.

Talks going ahead on State's role in North Sea oil

BY RAY DAFTER

THE GOVERNMENT has so far seen well over half the oil companies operating in the North Sea for detailed discussions on the proposed 51 per cent. State participation.

About 20 companies have been involved in the talks out of some 36 to 40 most likely to be involved at this stage of North Sea development. It has been emphasised the Government prefers to be a partner in a consortium rather than an equity holder in a development company.

No final agreement has yet been reached with any of the groups; indeed, the negotiations are expected to be lengthy. The oil industry, in general, is tending to play the situation in a low key without inflaming the situation through public statements.

Sir Eric Drake, chairman of British Petroleum and one of the front-runners in the talks, has conceded, however, that his group accepted the principle of participation on the basis that the proposals would leave companies in no worse a financial position than without participation.

BP said yesterday that it had completed drilling its exploration well in block 210/13, some 80 miles north-east of the Shetland Islands. No details were given of the well which has been abandoned.

It was felt within the North Sea oil industry that the tests may have been disappointing although it is anticipated that BP will return for further examination. BP said it was unwilling to comment for commercial considerations; the block was close to a number of unallocated sectors.

The rig, Sedco 703, is being moved some 50 miles south to drill close to the boundary of BP/Ranger's block 3/8 and the Forest Group's block 3/13. The two groups will share the cost of the well, with BP as the operator. It will lie immediately south of the tested extent of the Ninian field in blocks 3/3 and 3/8.

In the past few days a number of doubts have been raised about the commercial aspects of the Ninian Field—its potential reserves; the cost of its development and, more recently, the timing of its development.

"Ninian is due to come into production in 1978 and it is quite wrong to assume that this shedule will be delayed by the present problems," BP said.

In spite of technical problems in the North Sea development programme generally, and some slippage in a number of individual projects, the Government is still confident that the U.K. will be self-sufficient in oil by 1980.

PLA rates up on September 1

THE PORT of London Authority is to raise its scheduled rates by 7.5 per cent. from September 1.

Existing specially negotiated contract rates will be the subject of separate discussions with the port users concerned, a PLA spokesman said yesterday. Reduced rates for large consignments will continue to be available and the substantial discounts for imports and exports handled on pallets or skids, or as unit loads, also will continue to apply.

IN BRIEF

Cottonmill closing

Another Lancashire cottonmill, Era Mill, Rochdale, is to close because of the recession in the textile industry. Production will be phased out for two or three months and be transferred to Croft Mill, also at Rochdale. Most of the 220 employees will be offered alternative employment, but up to 40 supervisory and other staff are likely to be made redundant.

'Squeeze' protest

The smaller engineering companies with annual turnover up to £100,000 "continue to be squeezed at both ends of the credit network," says the Engineering Industries Association.

Craft industry prod

Craft industries in which the scope for technological change is substantial but the necessary infrastructure inadequate are criticised by a joint Government Industry Board set up by the Department of Industry in a report published yesterday. The garment industry—gross 1973 output £1.335bn. but said to be "labour intensive" with a low output per head—is singled out.

Anti-noise plan for airports

NOISE ABATEMENT measures, including grants for insulation of homes, are — be brought in for Edinburgh, Glasgow and Aberdeen airports. Trade Under-Secretary, Mr. Clinton Davis, announced in a Commons written reply yesterday.

He explained that the British Airports Authority, owners of the airports, were willing to bring in the appropriate measures.

HOME NEWS

City considers new plan for its public relations

BY MICHAEL BLANDEN

CREATION of a joint "City spokesman" or public relations and information body is being given serious consideration.

The possibility has been raised following a long running debate over the City's response to public criticism of its activities, and the establishment last year of a number of special committees under the aegis of the Bank of England and the City Liaison Committee to study particular areas. These included, besides several specialist committees, a small working party under Sir Eric Faulkner, chairman of Lloyds Bank, specifically set up to examine questions of publicity and public relations.

This working party, it is understood, has not completed its work. But there is a growing feeling in the City that the work of individual associations such as the British Insurance Association and the British Bankers' Association should be supplemented by a central body. The need is particularly strong, it is said, in the more controversial areas where the Bank of England itself finds it difficult to speak for the City, particularly vis-a-vis the Government.

The signs are, however, that there is some caution over the idea, particularly over the structure of any new "spokesman" organisation, and relationships with the other City bodies.

The committees set up last year have been active, it is reported by the Bank of England. Published papers have included, for example, comments by the City capital markets committee under Mr. Ian Fraser to those of the Royal Commission on the Distribution of Income and Wealth on the pattern of financing of U.K. companies, and the role of dividends in the raising of capital. This committee has sharply criticised the Industry Bill's disclosure provisions, and written about the role of the City as a provider of funds for industrial investment.

Considerable work has also been carried out by the company law committee under Sir Henry Fisher. Its main work was the production of its first report on employee participation in February, which is being followed up by a specific study of the issue as it affects financial institutions.

The committee, the Bank discloses, has also undertaken several projects at the request of the Department of Trade. These have included consideration of the draft EEC convention on international mergers. A study has been started on two subjects covered in the Conservative Companies Bill, which lapsed in February 1974—insider trading and directors' interests.

Gloomy engineering forecast

By Kenneth Gooding, Industrial Correspondent

THE DEPTH OF the recession in the mechanical engineering industry is already as low as that reached in the previous two "troughs" in the demand cycle. And the industry feels there is still some way to go before the bottom is reached.

In many sectors of the industry the prospect is for considerable reductions in employment over the next year.

Making these points in one of the gloomiest reports on short-term trends it has ever produced, the Mechanical Engineering Industry Economic Development Committee has revised all previous estimates downwards.

It now says that the bottom of the trough will not be reached until the second half of 1975, that by the first quarter of 1976 order books will be very slim indeed and that there is little likelihood of U.K. demand picking up before the third quarter of 1976.

Fortunately there is still a considerable volume of orders on hand in many sectors of the industry which should sustain production for some months.

Prospects in export markets also look more dismal than they did earlier this year. The recovery in export markets will be slower than forecast at that stage. The feeling now is that an initially hesitant upswing should gain force throughout 1976 in most advanced industrial countries with the possibility of a particularly sharp rise materialising in the U.S.

The Little Neddy report stresses the importance during the recession of the investment programmes of the nationalised industries, some of which are planned to show significant increases over the next few years.

Call for equal rights Minister

FINANCIAL TIMES REPORTER

THE PRESENT administrative arrangements for dealing with race relations are "hopelessly inadequate," the Select Committee on Race Relations and Immigration reported yesterday.

In a report deeply critical of what it considers the Government's failure to give a positive lead in the field of race relations, the committee recommends a complete reorganisation of the present race relations administration.

A Minister of State for Equal Rights should be appointed, it says, with specific responsibility for ensuring that discrimination, both on the grounds of sex and race, are abolished. At the same time it recommends that the functions of the Race Relations Board and the Community Relations Commission should be merged into a single agency known as the Equal Rights Commission.

The committee concludes, however, that ultimate responsibility for race relations should remain with the Home Office as at present.

The report, which will be used to help formulate the White Paper on race relations promised for the autumn, warns that there is a serious risk of communities becoming "permanently alienated."

"The opinion of the committee is that race discrimination and prejudice is still widespread and that this is aggravated by a growing lack of confidence among ethnic communities especially the young—the second generation of non-immigrant population."

The recommendations were welcomed by Mr. Mark Bonham Carter, chairman of the Community Relations Commission, as "radical and constructive" and he added: "I greatly hope the Government will accept the bulk of these proposals."

Select Committee on Race Relations and Immigration. Session 1974-75. Vol. 1. Report House of Commons Paper 448; SO; 60p.

Full text of consultative document on amendments to Price Code

THE GOVERNMENT's consultative document on amendments to the Price Code, which proposes sanctions against companies making excessive pay settlements, was published yesterday. The full text is as follows:

The White Paper, The Attack on Inflation, said that the Government would not allow firms which make excessive pay settlements to reflect these settlements in higher prices to the consumer (paragraph 21). The White Paper also proposed some changes in the Price Code relating to the self-employed (paragraph 24). In paragraph 21, the White Paper stated:

"The Government will not allow firms which make excessive pay settlements to reflect these settlements in higher prices to the consumer. With every application to the Price Commission for a price increase, employers will have to notify details of any pay settlement underlying the application. The Government will certify to the Commission whether any of these settlements exceed the limit.

"Where an employer breaks the pay limit the whole pay increase will be disallowed for price increases. (This will also apply to any settlements implemented between the date of this White Paper and August 1 in breach of the 12 months' rule. This disallowance, which will require new legislation, will apply even if the employer is covered by one of the low profit safeguards in the Prices Code.

"Similar arrangements will be applied to nationalised industry prices. A consultative document will be published on the consequential changes in the Price Code."

Under the Counter-Inflation Act, 1973, the Secretary of State is required to consult appropriate representative bodies before making an Order to amend the Price Code. This document forms the basis for these consultations. Any comments should reach the Department of Prices and Consumer Protection not later than Monday, July 28.

The Secretary of State proposes to make these changes to the Price Code as soon as the Remuneration Charges and Grants Bill, introduced on July 16, becomes law.

A draft of the proposed amendments to the current Price Code (contained in the Schedule to SI 1974, No. 2113) is annexed.

PROCEDURAL REQUIREMENTS

Consequential amendments will be made to the Counter-Inflation (Prices and Charges) (Information) Order, 1974 (SI 1974, No. 2115) and to the Counter-Inflation (Notification of Increases in Prices and Charges) (No. 2) Order, 1974 (SI 1974, No. 2114). These will include the administrative requirement for Category I and II manufacturing and service enterprises to notify to the Price Commission either in their pre-notifications or their periodic returns, details of pay settlements underlying price increases. Category II distributors affected by the provision described in paragraph 11 will have to give equivalent information. Firms will be asked to give sufficient information about their settlements to enable their consistency with the pay limit to be checked. Similar information should be kept by Category III firms in their records.

PROCEDURAL ARRANGEMENTS FOR PRE-NOTIFYING FIRMS

The aim is, as far as possible, to process applications involving wage settlements within the normal 28-day period. To facilitate this, enterprises will have an opportunity to send to the Price Commission, in advance of their formal notification of an intended price increase, certain details of settlements which will be relevant to their application. This will enable the Price Commission to seek the advice of the Department of Employment on the conformity of the wage settlement with the pay limit. This arrangement, which is informal and optional, should enable any questions arising from the wage settlement information to be resolved.

This arrangement will work best if it is closely related to an impending price application and to this end firms should let the Price Commission have the information about wage settlements not more than 30 or less than 20 days before they intend to lodge their price application.

Whether or not this arrangement is used, and this is a matter for the enterprise, the formal price application must contain the information described in Annex B. In some cases, where the information notified is incomplete, there will be provision to add to the normal 28-day period the time taken to obtain further information from the firm concerned, together with an additional period of seven days to allow the information to be assessed.

Where the informal arrangement is used, the information should relate only to pay settlements involving more than 100 employees in the enterprise. As regards the price application proper, enterprises must give details of pay settlements involving more than 100 employees and, in addition, a statement that no other settlement, reflected in the price, is in breach of the pay limit.

NON-ALLOWANCE OF EXCESSIVE REMUNERATION

Any increase in labour costs resulting from settlements which exceed the limits will be wholly non-allowable for price purposes. No part of such settlements may be passed into prices. Information about pay settlements under the arrangements described in paragraphs 5-8 will be passed by the Price Commission to the Department of Employment as a matter of routine, so that the Commission can be advised of the status of settlements. Should the Department certify that any settlements are in excess of the pay limits, the Price Commission will use their powers to the extent necessary to ensure that the sanction is applied. An extra disallowance for firms with relatively low labour costs in relation to total costs is proposed.

Disallowance will apply to all changes in prices calculated under the allowable cost rules of the Price Code, or the provisions about escalation, VOP, prime cost and cost reimbursement contracts. In addition, the various safeguard provisions in the Price Code (including those applying to distributors) will be modified to ensure that no account may be taken of increases in cost or erosion of profit margins resulting from settlements in excess of the pay limits.

For certain specified nationalised industries, the Price Code provides a "floor" whereby industries may increase prices in accordance with the allowable cost rules of the Code (in the case of an industry in deficit, without any productivity deduction). There is also a "ceiling," whereby an industry may, in addition, increase prices so far as is necessary to ensure a surplus of 2 per cent. on turnover or 10 per cent. on net assets employed, unless cut back by direction of the responsible Minister. In future, both "floor" and "ceiling" figures will be abated, by reference to the amount of any excessive pay settlement.

PROFESSIONAL SERVICES AND THE SELF-EMPLOYED

Paragraph 123 of the Code is to be amended to bring certain categories of the self-employed back into control.

DISALLOWANCE OF EXCESSIVE REMUNERATION

1—An enterprise shall not, under any provision of the Code, reflect in prices any part of an increase in remuneration arising after July 11, 1975, where that increase is in excess of the limits mentioned in section 1 of the Remuneration, Charges and Grants Act, 1975.

2—Where, but only where, the Secretary of State for Employment has given to the Commission a certificate that he has determined that any remuneration is in excess of the limits mentioned in section 1 of the Remuneration, Charges and Grants Act, 1975, the Commission shall take such steps as appear to them to be necessary to ensure that in the computation of any price charged or proposed to be charged by an enterprise there shall be excluded any costs represented by any part of the remuneration to which the certificate applies to the extent that the remuneration is increased after July 11, 1975, and affects the price in question.

3—Where the share of labour costs expressed as a percentage of total costs is less than 15 per cent., the amount disallowed under sub-paragraph (1) or (2) above shall be increased by the proportion which 15 per cent. bears to that share.

MODIFICATION OF SAFEGUARD PROVISIONS OF THE CODE

(1) In determining—

(a) total costs per unit for the purposes of paragraph 37 of the code (safeguard against low profits on products) and paragraph 39 of the code (safeguard against erosion of profit margins on products);

(b) the net profit margin for the purposes of paragraph 38 of the code (safeguard to limit reduction of profit margins), paragraph 60 of the code (safeguard against erosion of profit margins on contracts) and paragraph 88 of the code (safeguard for distributors' net profit margins);

and

(c) total costs for the purpose of paragraph 93 of the code (safeguard for distributors making low profits);

no account shall be taken of any increase in remuneration to the extent that it is disallowed under paragraph 1 above.

Notwithstanding the provisions of paragraph 77 of the code, in determining the net profit margin for the purposes of that paragraph and of paragraph 78 of the code (which relate to low profits), no account shall be taken of any increase in remuneration to the extent that it is disallowed under paragraph 1 above.

In calculating an increase in price under an escalation or variation of price clause in accordance with paragraph 56 of the code (which makes special provision for such clauses) and any element in a claim for payment under a prime cost or cost reimbursement arrangement in accordance with paragraph 58 of the code (which makes special provisions for such arrangements), no account shall be taken of any increase in remuneration to the extent that it is disallowed under paragraph 1 above.

RECOVERY OF COSTS PREVIOUSLY INCURRED

In calculating a permitted price increase in accordance with paragraph 23 of the code (which relates to recovery of costs previously incurred), no account shall be taken of any increase in remuneration to the extent that it is disallowed under paragraph 1 above.

NATIONALISED INDUSTRIES

Paragraph 1 above applies to the nationalised industries listed in paragraph 97 of the code as it applies to other enterprises; and accordingly in determining increases in prices with a view to providing revenue sufficient to ensure the surplus on turnover or the return on net assets referred to in paragraph 98(2)(c) of the code, no account shall be taken of any increase in remuneration to the extent that it is disallowed under paragraph 1 above.

PROFESSIONAL AND ORDER SERVICES

In paragraph 123 of the code, the words from "except" to the end of the paragraph are hereby revoked.

NOTIFICATION OF PRICE INCREASES: INFORMATION REQUIRED ON PAY SETTLEMENTS

With each price notification firms will be required to provide a list of all settlements implemented after July 10, 1975, and underlying the notification.

The information required for each settlement will be:—

(i) the number and description of the employees affected;

(ii) the dates on which the settlement was made and implemented;

(iii) the date of implementation of the last principal settlement for the same group of employees.

SETTLEMENTS AFFECTING LESS THAN 100 EMPLOYEES

A statement will be required that no settlements reflected in the price involved a breach of the pay limit, in accordance with the White Paper: The Attack on Inflation (Cmnd. 6151).

SETTLEMENTS AFFECTING 100 EMPLOYEES OR MORE

No further information with the notification will be required for settlements implemented between July 11 and July 31 or for settlements agreed before July 11 for implementation between August 1 and September 1.

The following further information will be required for all other settlements listed:—

(i) Details of pay increases under the reported settlement which count against the pay limit.

(ii) Details and estimated costs of improvements other than pay under the reported settlement which count against the pay limit.

(iii) Details of any other pay increases or improvements under the reported settlement which are held not to count against the pay limit.

(iv) Details of any forward commitments under any previous settlement, e.g. staged increases, threshold and indexation arrangements.

(iv) Details of any improvements in pay or conditions which are, or are likely, to come into effect during the currency of the reported settlement as a result of any other settlement or award.

(vi) Details of any other improvements in pay or conditions afforded or to be afforded the employees concerned.

(vii) Details and explanation of any individual pay increases which exceed the pay limit of £6 per week.

هكذا الا صل

PARLIAMENT

'ATTACK ON INFLATION' DEBATE

Better chance of success with this policy—Healey

THE FOUR main points of the Government's anti-inflation reserve powers were outlined in the Commons by Mr. Denis Healey, Chancellor of the Exchequer. But he refused to be drawn on the subject of penalties to back up the legislation.

Mr. Healey said of the reserve law:

1—It will give the Government legal powers enforceable against individual employers who exceed the pay limit;

2—It will provide for compulsory notification of all wage settlements;

3—There will be no criminal sanctions on workpeople and there will be provision to prevent prosecution for criminal conspiracy.

4—It will enable the Government to reduce to the £6 level any settlements made after August 1, 1975.

Liberal leader Mr. Jeremy Thorpe intervened to ask for more details on the Government's legislative powers to enforce the pay limit.

Demanding to know what sort of powers were envisaged against employers Mr. Thorpe said amid loud laughter: "This action could be deportation or putting them on probation."

Mr. Healey replied: "An Order in Council would be necessary to take action against individual employers."

Mr. Eric Heffer (Lab., Walton) asked how the Chancellor could explain the position of an employer who took out an injunction against a group of workers to stop infringing the £6 a week limit.

"What would be the attitude of the Government to that, because the employer would be taking out an injunction not to break the law?"

Sir Derek Walker-Smith (C Hertford E) said that Mr. Heffer was not concerned with criminal conspiracy, but with what would be the effect if an injunction was taken out in those circumstances, and the workers then became liable for committal for contempt of court. The Chancellor had not addressed himself to this point, he claimed.

There was laughter and shouting when Mr. Healey replied: "This is precisely one of the drafting points which is still under consideration."

"Anyone who is aware of the catastrophic history of attempts to apply legal sanctions to workers under the previous administration should know that these matters do require most careful consideration, and they will get it under this Government."

Agreed

Mr. Healey also told the House that the full effect of the pay guidelines would only be felt from the beginning of next year when he expected to see a dramatic fall in the rate of inflation. "Meanwhile, the Government will do whatever it can without damaging the economy to reinforce strict price controls already operating.

"I see no reason to believe that the measures I have announced will lead to any increase in unemployment," the Chancellor said.

Moving approval of the White Paper, "The Attack on Inflation," Mr. Healey said that he could not recall any previous occasion in industrial history when the trade union movement had voluntarily agreed, not just in general terms but in the most precise detail, to set a limit to wage increases over a whole year which was based on a target for a substantial reduction in the rate of inflation.

The Government agreed with the TUC that the limit should be expressed in terms of £6 a week to full-time adults up to a cut-off point, with a lower pro-rata limit for part-time workers and juveniles.

This figure was consistent with the 10 per cent. target as it was associated with the most stringent limitations. "The only exceptions adding to the pay bill are the increase necessary to enable women to obtain equal pay by the end of 1975, and prior commitments to staged increases which exceed £6 a week."

The Government had been able to welcome all the TUC's proposals in this field with the one exception of the cut-off, which the Government believed should be set at incomes of £8,500 a year rather than £7,000.

A "lower limit would be too disruptive of existing pay scales among supervisory and technical staff. The £8,500 cut-off includes all emoluments which are reckonable for tax purposes."

Mr. Healey also stressed "the extent to which the CBI were able to go along with us on these matters." The CBI had agreed with the objectives of the policy but had said that they preferred a percentage pay limit to a flat rate.

They also thought the cut-off point should have been higher than £8,500, and disliked the decision to allow incremental increases providing they did not add more than £6 a head to the pay bill for the group concerned.

Despite disagreement, the CBI had undertaken to give the strongest support to the Government's efforts.

Mr. Healey pointed out that the flat £6 limit would be progressive right through the income scale. "I do not deny that the resulting compression of differentials will make it more difficult to pass to more flexible and sophisticated guidelines after the current wage round."

The problem of inflation would not be solved when we were down to 10 per cent. "We must continue with our efforts at least until our prices are rising no faster than those of our competitors. I must make it clear too that the figure of £6 is an upper limit for wage increases. It is not an automatic entitlement."

Mr. Healey said that the Employment Secretary (Mr. Foot) would deal with questions of interpretation of guidelines when he wound up the debate tonight.

Dealing with the "battery of weapons" to ensure the limit is observed Mr. Healey said that in the public sector the Government's major duty was to ensure that no settlement was made above the limit. "It must resist pressures, of whatever nature, to break the rules."

Sanctions after the event against those responsible for breaching the limits were very much a second best. But the knowledge that the sanctions do exist and will, if necessary, be applied is bound to act as a deterrent.

Mr. Healey said that for settlements affecting the two million people directly employed by the Government, including those in the National Health Service, the Government itself would ensure compliance.

"This will require the suspension of the operation of pay research in the Civil Service for the period of the policy. The Government will also ask the relevant review bodies to comply with the pay limit."

Dealing with the nationalised industries, Mr. Healey said it had already pointed out that the Government possessed a very significant sanction.

They would not foot the bill through subsidies by permitting extra borrowing or allowing increased prices or charges.

Replying to Mr. Norman Tebbit (C., Chingford), Mr. Healey said that existing pension obligations should be met by both public and private enterprise, even where they exceeded the £6 limit. "It is different from increases in wages."

Mr. Healey said that if, in spite of sanctions, a local authority exceeded the pay limit, the Government could, and would if necessary, offset the excess by using its powers of control of the borrowing of individual local authorities to reduce their capital expenditure.

"We will be discussing the application of the limit by the local authorities and the operation of these arrangements, as well as the restriction of manpower which is the other element in the local authorities' pay bill, with their representatives through the new consultative machinery which I announced in the Budget statement."

Dealing with the private sector, Mr. Healey said: "Our main weapon depends on amending the price code so that where an employer breaks the limit the whole pay increase will be disallowed."

Mr. Healey said the Government believed that compulsory notification of pay increases was not necessary either for the monitoring of the policy and of economic developments generally: or for seeing whether the pay limit was being endangered.

"The Department of Employment will have full information about settlements made and intended, in the public sector. Under informal arrangements, they will have information about most of the more important private sector settlements. Taken together, their information will cover nearly 80 per cent. of the employed population."

But the Chancellor added: "If the pay limit were endangered and use of the reserve powers became necessary, they would, of course, be supported by powers to require compulsory notification."

On prices, the Chancellor said the best possible send-off for the new policy would have been a total freeze on prices for a period of months.

"But an immediate price freeze after nearly three years of stringent price control would have depressed investment still further, forced many companies into bankruptcy and thrown many thousands more people out of work."

Mr. Healey claimed the full effect of the new pay guidelines would only be felt from the beginning of next year—when I expect to see a dramatic fall in the rate of inflation."

He promised the Government would do whatever it could without damaging the economy to reinforce strict price controls already operating.

But the Chancellor insisted "Inflation does not have one single cause or one single cure."

He added: "In the past 12 months, excess wage settlements have been the biggest single factor in making our inflation rate so much higher than that of our competitors."

The Government was working on the introduction of an extensive system of cash limits in 1976-77 in those areas where this technique would help to reinforce the existing system of control in constant prices.

Wherever these limits applied, Departments would have to live within the cash limits allocated to them, and additional allocations would be considered only in quite exceptional cases.

I will not be deflected —Rees

By Justin Long, Parliamentary Correspondent

IN FACE of the speculation over the Provisional IRA's future observance of the ceasefire in Northern Ireland, the Government yesterday firmly reiterated its policy for the reduction of violence there.

"We are looking for a lasting and permanent peace and for a genuine and sustained cessation of violence which would create a new situation and make further progress possible," Mr. Merlyn Rees, Northern Ireland Secretary, told the Commons.

The Provisionals' political aims—as re-stated yesterday—were well known, Mr. Rees said in a statement on the explosions in South Armagh last week.

The Provisionals were free to pursue their aims by peaceful and legitimate means, the Minister pointed out, and stressed that the Government had entered into no agreement with them.

"The big questions I have to ask myself are whether the leaders of the PIRA are able to control their followers, for example, in South Armagh; whether such actions do not make the ceasefire meaningless; and whether they will not provoke reactions in retaliation against innocent Catholics.

"With every incident, and each new Provisional statement—such as the one they have made to-day—there is speculation about the end of the ceasefire or changes in Government policy."

Violence

Mr. Rees then re-stated the Government's firm intention on the continuance of its policy. "I will not be deflected from what I think is right," he said.

He repeated his wish to end detention. But, he added, this would depend on the progress towards the cessation of violence and on the continued success of the police in bringing criminals before the courts.

"It will, however, clearly be necessary to retain for some time to come, the power to detain people, and I will not hesitate to use this power if I am satisfied that it is needed."

From the Opposition front bench, Mr. Airey Neave, pressed the Government for more effective action for the arrest of known terrorist leaders—still at large, Mr. Neave claimed, as a result of Government policy.

Mr. Rees commented that he could only arrest those who had broken the law. Where this happened they would be arrested.

Troops delay battle charge

BY PHILIP RAWSTORNE

THE BATTLE against inflation is under way, Mr. Denis Healey, Chancellor of the Exchequer, declared in the Commons yesterday without rallying much noticeable enthusiasm for the fray.

To the left and right of him, there were some sceptical troops who wanted to see the Government's reserve powers before committing themselves to action.

The powers had been drafted, the Chancellor assured MPs—but he saw no useful purpose in exposing them prematurely. "We all hope they will not be necessary" he repeated.

Their main thrust, he said, would be directed not against workers but against employers who broke the pay limits. There would be compulsory notification of wage settlements and powers to enable the Government to reduce excessive awards.

But that said, Mr. Healey appeared rather less certain about what he called the "technical details" of his policy's reinforcement. Altogether, his speech left rather more people than before hoping that the Government's measures do not encounter any serious challenge.

As it was, the Chancellor admitted to some nervousness about the withdrawal from his present position in a year's time and even to some concern about the first few months' advance. It would be the turn of the year before any marked impression could be made on inflation, he warned.

And over the next few years, Mr. Healey added grimly, discipline, in public spending especially would have to be strictly enforced.

But the Chancellor thought that his range of weapons stood a better chance of success than any others brought to bear on the problem in recent times.

Mrs. Margaret Thatcher, the Tory leader, tartly countered that his equipment was quite inadequate. "Only half a package," she said dismissively.

Further immediate cuts in Government spending and the abandonment of the burden of nationalisation measures might have improved the Government's chances of reaching its objective, she said.

Tories beaten in Lords vote on NEB members

BY JOHN HUNT

THE GOVERNMENT beat off an Opposition attack over membership of the proposed National Enterprise Board at the start of the four-day Lords committee stage of the Industry Bill yesterday.

A Conservative amendment stipulating the categories from which members of the Board should be drawn was defeated by a Government majority of 15 (100-85).

The amendment said that those appointed to the NEB should be chosen by the Secretary of State from among people with a wide experience of industry, technology, commercial or financial matters, administration or the organisation of workers.

From the Conservative front bench, Lord Aberdare said: "This is not an attempt to pack the Board with people of a particular type but simply to ensure that the Board is representative. We do not believe it right to give the Minister carte blanche in the appointment of members."

He claimed that the Opposition was trying to be helpful. If the amendment were passed it would help to restore the confidence of industry in the Board and in the Government's handling of the Bill.

For the Government, Lord Lovell-Davis said that it was intended that a wide range of relevant expertise should be made available to the NEB. It was important, he said, to secure, not "deadbeat politicians," but top quality industrial expertise and a trade union presence. The list of qualifications in the amendment would prevent appropriate people from serving on the Board.

Lord Beaumont of Whitley (L.), said that his party could not support the amendment. Although the motive behind it was praiseworthy it would in fact have an inhibiting effect.

Howell promises study into pollution procedure

EMERGENCY procedures are to be "very fully examined" after contamination of a Lancashire reservoir at the week-end, Environment Minister of State, Mr. Denis Howell, told the Commons yesterday.

Mr. Cyril Smith (L., Rochdale) complained about a 26 hours delay in notification. "Do you realise that lives could have been lost, or were certainly at stake, if the pollution of the reservoir concerned had proved to be a more serious chemical?" he asked.

Mr. Howell replied "I am concerned at this incident and the delay in warning the public. I intend to have our emergency procedures very fully examined in this light of this experience."

He said there were now no tips near reservoirs likely to cause danger so far as the Government knew but "this sort of incident makes one realise that one can never be complacent on matters of public health."

Earlier, the Minister had said the cause of the pollution was likely to be an industrial waste tip in the area. Phenol had "a very unpleasant taste, but it is not toxic."

Supplies of drinking water would continue to come from tankers until investigations being undertaken by Lancashire County Council and the Rossendale District Council, assisted by the department of the Environment and the Government chemist, were completed.

Plan for flare stack building on Tyneside

By Our South Shields Correspondent

A SCHEME to build concrete flare stacks for the North Sea oilfields is being considered and could mean 200 new jobs for the Tyne port.

South Tyneside town development sub-committee will be recommended to-day by A. Monk and Co., civil engineers of Warrington, Cheshire, to approve planning permission for the development of a four-acre site for this purpose at Tyne Dock.

The Monk plan is to use concrete flare stacks in the North Sea oilfields, as they will not corrode and will be cheaper to maintain than conventional steel.

However, the final go-ahead for the project will depend on firm contracts being awarded.

Attitude on reserve powers 'an insult to Parliament'

OPPOSITION LEADER Mrs. Margaret Thatcher introduced an amendment which supported the Government's "belated commitment to reduce the disastrous rate of inflation," but attacked "prolonged failure to reduce public spending and to promote the prosperity of the private sector."

It also deplored the Government decision to increase indiscriminate subsidies and to proceed with further damaging nationalisation inconsistent with the conquest of inflation.

She said it was difficult to judge whether the policy was voluntary or statutory. "It seems to have all the structure of a statutory policy but with certain of the supports removed at the last instance."

The Chancellor was in danger of "having only half a package on inflation."

Mrs. Thatcher also criticised Mr. Healey for not giving more information about the Government's policy. "It was quite clear that every time he was cross-examined he had no idea of how these things would operate in detail."

The £6 pay rise limit was "a maximum within which negotiations can take place." But she suggested that the Government was bound to create inflationary problems. Instead of going on for just one year, it looked as if this policy would go on for several years with increasing detail, increasing rigidity, and increasingly catastrophic consequences at the end of it.

This had led to a fantastic drain of resources from the private, productive sector into the public sector, both through taxation and borrowing.

Unless the Government reduced public expenditure, there would be no room for industry to take advantage of the expected improvement in trade in a year's time. When trade began to rise, industries would withdraw their money, leaving a gap for Government financing.

Mrs. Thatcher said she hoped cash limits would apply to the total of local authority expenditure and not only to rate support grant totals. "People must have some protection from very considerable rate increases at a time when their incomes are going to be curtailed substantially."

Uproar broke out when Mrs. Thatcher and Mr. Healey clashed angrily over the need for cuts in public expenditure.

Mr. Healey asked: "How big an increase in the retail price index and additional unemployment would you tolerate as a result of the further expenditure cuts you ant to draw?"

Amid mounting shouts and jeers from Tory and Labour backbenchers, Mrs. Thatcher said: "The Chancellor does not understand that the increase in the RPI has taken place under his stewardship. Had he taken action we should never have had the 25 per cent. norm and over 1m. unemployed. It is his fault. He is the guilty man."

Mr. Healey challenged: "No one in the country will give the slightest regard to your frivolous humbug unless you are prepared to answer."

Furiously, Mrs. Thatcher countered: "No one in the country will give any attention at all to the 8.4 per cent. Chancellor." There was now a 48 per cent. three-monthly rate of inflation.

She did not believe that Mr. Healey's policy for attacking inflation would succeed at all.

Liberal Leader, Mr. Jeremy Thorpe intervened to ask Mrs. Thatcher if the Opposition was voting for the measures, or against or was abstaining.

Mrs. Thatcher said the Opposition would "reserve judgment on this," at which there was a chorus of Labour jeers.

Mr. Healey said: "It is absolutely absurd and a complete contempt and insult to Parliament."

"The Government doesn't really know what it is going to do. It seems as though there is still a great deal of detail to be worked out."

Cheered by Tory backbenchers, she said: "Is it that it is too tough, or not tough enough? We do not know the nature of the offence and we do not know the nature of the punishment."

Of the Government's refusal to publish the Bill, Mrs. Thatcher said: "It is absolutely absurd and a complete contempt and insult to Parliament."

Mrs. Thatcher said that the Government's policy on incomes

Monthly inflation rate 'not much above 1% this winter'—Minister

FINANCIAL TIMES REPORTER

WHILE THE annual rate of inflation is likely to remain high for the rest of this year, the monthly rate this winter should not be much above 1 per cent., reflecting lower pay and commodity prices, Mrs. Shirley Williams, Secretary for Prices and Consumer Protection, told the Commons yesterday.

Replying to a barrage of Conservative criticism about the Government's failure to take effective counter-measures at an earlier date, she stressed that the objective of bringing the inflation rate down to 10 per cent. by the third quarter of 1976 was a minimum target.

"We must proceed onwards to the point where inflation ceases to be of any significance in our economy," declared Mrs. Williams.

The Minister came under further heavy criticism from the Opposition when she stated that the retail price index for June was 26.1 per cent. higher than a year earlier.

"The change over the three months to June, expressed at an annual rate, was 48 per cent.," she said. "But this includes the exceptional increase in May which was substantially due to the Budget changes. The annual rate based on the June increase alone is 21.9 per cent."

Mrs. Sally Oppenheim, the "shadow" Prices Secretary, claimed that the annual rate disclosed by Mrs. Williams was nearly double the rate when the last Conservative Government left office.

Amid Opposition cheers, she contended: "This signals the total failure of the Government's policies, which will lead inevitably not to a three-day week but to a no-day week for a million people in this country this winter."

Mrs. Williams also revealed that the report of the Price Commission, due to be published on Thursday, will show that the profits of food manufacturing companies have been halved in the last year.

Agreeing with Mr. Norman Lamont (C., Kingston-upon-Thames) that the Government did not want voluntary price restraint confined solely to the food sector—where, at the moment, margins were at the most narrow—Mrs. Williams said the Government wished to see an across-the-board system of price stabilisation which would be based upon essential goods including consumer durables.

Stonehouse writes to Speaker

A LETTER from Mr. John Stonehouse (Lab., Walsall N) asking permission to make a personal statement to the Commons was received to total silence when it was read to MPs by the Speaker (Mr. Selwyn Lloyd) yesterday.

The letter said: "Dear Mr. Speaker, As you know, I have been unable to attend the House, first for medical reasons, since March 31. I was hoping next week to arrive in London and, as soon as I arrived, to make a personal statement to the House. I ask you to consider a request for such a statement to be made."

The Speaker did not announce when the letter from Mr. Stonehouse was dated, and after reading it, he moved on to the routine business of the House.

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on July 21, 1975. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from the market rates of foreign currencies to which they are tied.

Exchange in the U.K. and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territory; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate no direct quotation available; (sg) selling rate, (bg) buying rate; (nom.) nominal; (ex/c) exchange certificate rate; (P) based on U.S. dollar parities and going sterling-dollar rate; (Bk.) bankers' rate; (Bas.) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

Place and Local Unit		Value of £ Sterling
Afars&Issas	Djibouti Franc	388.0(sg)
Afghan'tan	Afghani	154 (A)
Albania	Lek	(O)10.19(A) / (T)25-25(A)
Algeria	Dinar	(A)7.9150(sg)
Andorra	French Franc / Spanish peseta	9.32¾ / 125.50
Angola	Ang. Escudo	56.00
Antigua (S)	E. Caribbean	4.80
Argentina	Ar. Peso	(cm) 60.65 / (fn) 77.95
Australia (S)	Australian $	1.6627
Austria	Schilling	38.45
Azores	Portug. Escudo	56.00
Bahamas (S)	Ba. Dollar	2.1609
Bangladesh (S)	Taka	29.95(sg)
Bahrein (S)	Dinar	0.863
Balearic Is.	Spa. Peseta	125.50
Barbados (S)	Barbados $	4.3545
Belgium	B. Franc	(cn) 81.00 / (fn) 85.70
Belize	B$	4.0
Bermuda (S)	Bda. $	2.1755
Bhutan	Indian Rupee	18.5522(sg)
Bolivia	Bolivian Peso	43.51
Botswana (S)	S. A. Rand	1.561809
Brazil	Cruzeiro	17.62
BrSolmn Is(S)	Australian $	1.6627
BrVirgin Is(S)	U.S. $	2.1755
Brunei (S)	Brunei $	5.3425
Bulgaria	Lev	(O) 2.24 / (T) 2.77
Burma	Kyat	(A)13.70(sg)
Burundi	Burundi Franc	172.06
Cambodia	Riel	n.a.
Cameroun Rp	C.F.A. Franc	466¾
Canada	Canadian $	2.2425
Canary Is.	Spanish Peseta	125.50
Cape Verde Is	Cape V Escudo	56.00
Cayman Is.(S)	Cay. I. $	1.8141
Cent. Af. Rp.	C.F.A. Franc	466¾
Chad	C.F.A. Franc	466¾
Chile	C. Escudo	(Bk.) 11,987 / (T) 15.047
China	Renmimbi Yuan	4.8549
Colombia	C. Peso	(F)67.88
Comoro Is.	C.F.A. Franc	466¾
Congo (B'ille)	C.F.A. Franc	466¾
Costa Rica	Colon	18.7095
Cuba	Cuban Peso	1.8225
Cyprus (S)	Cyprus £	0.8088
Czechoslov'kia	Koruna	(com) 12.50 / (n/c) 12.24 / (T) 21.42
Dahomey	C.F.A. Franc	466¾
Denmark	Danish Krone	12.54½
Dominica (S)	E. Caribbean $	4.80
Domin. Rep.	Dominican Peso	2.1755
Ecuador	Sucre	(O) 54.12 / (F) 54.58
Egypt	Egyptian £	(O) 0.8978 (sg) / (T) 1.4958
Ethiopia	Ethiopian $	(P)4.5084
Eq'tl Guinea	Peseta	125.50
Falkland Is. (S)	Falkland Is. £	1.0
Faro Is.	Danish Krone	12.54½
Fiji Is. (S)	Fiji $	1.7743
Finland	Markka	8.02¼
France	French Franc	9.32¾
Fr.C'tyIn Af♦	C.F.A. Franc	466¾
Fr. Guiana	Local Franc	9.32¾
Fr. Pac. Is.	C.F.P. Franc	169.59
Gabon	C.F.A. Franc	466¾
Gambia (S)	Dalasi	4
Germany (East)	Ostmark	5(A)

Place and Local Units		Value of £ Sterling
Germany (West)	Deutschemark	5.45
Ghana (S)	Cedi	2.51
Gibraltar (K)	Gibraltar £	1.00
Gilbert & Ellice Is.(S)	Aust. Dollar	1.6627
Greece	Drachma	69.696
Greenland	Danish Kroner	12.54½
Grenada (S)	E. Caribbean $	4.80
Guadaloupe	Local Franc	9.32¾
Guam	U.S. $	2.1755
Guatemala	Quetzal	2.1755
Guinea Rep	Sily	n.a.
Guinea Bissau	♥♥	♥♥
Guyana (S)	Guyanese $	5.21
Haiti	Gourde	10.8775
Honduras Rep	Lempira	4.351
Hong Kong (S)	H.K. $	10.9675
Hungary	Forint	(com) 104.41 / (non)(T) 49.47
Iceland (S)	I. Krona	340.25
India (S)	Ind. Rupee	18.5522(sg)
Indonesia	Rupiah	902.8326
Iran	Rial	(A) 144.0
Iraq	Iraq Dinar	0.7794
Irish Rep K	Irish £	1.00
Israel	Israel £	13.2865
Italy	Lira	1,425½
Ivory Coast	C.F.A. Franc	466¾
Jamaica S	Jamaica Dollar	1.9768
Japan	Yen	644½
Jordan S	Jdn. Dinar	0.685 (sg)
Kenya (S)	Ken. Shilling	15.5425
Korea (Nth)	Won	n.a. (g)
Korea (Sth)	Won	1,056.67
Kuwait (S)	Kuwait Dinar	0.634
Laos	Kip	n.a.
Lebanon	Lebanese £	4.925
Lesotho	S. African Rand	1.561809
Liberia	Liberian $	2.1925
Libya	Libyan Dinar	(P)0.6440
Liecht'nstn	Swiss Franc	5.75¾
Luxembourg	Lux Franc	81.00
Macao	Pataca	12.7525
Madeira	Portug'se escudo	56.00
Malagasy Rp.	MG Franc	466¾
Malawi (S)	Kwacha	1.8967
Malaysia (S)	Malaysian $	5.336
Maldive Is.(S)	Mal Rupee	n.a.
Mali Rp.	Mali Franc	932¾
Malta (S)	Maltese £	0.839560
Martinique	Local Franc	9.32¾
Mauritania	Ouguiya	♦
Mauritius (S)	M Rupee	13.33
Mexico	Mexican Peso	27.16
Miquelon	C.F.A. Franc	466¾
Monaco	French Franc	9.32¾
Mongolia	Tugrik	(O) n.a. (g) / (T) n.a.
Montserrat	E Caribbean	4.80
Morocco	Dirham	8.45(sg)
Mozambique	Moz. Escudo	56.00
Nauru Is.	Aust. Dollar	1.6627
Nepal	Nepalese Rupee	24.40
Netherland	Guilder	5.65
Neth. Ant'les	Antillian Guild	3.8941
New Hebrides	Franc / Austl. Dollar	150.75 / 1.6627
N.Zealand (S)	N.Z. Dollar	1.6957
Nicaragua	Cordoba	15.27
Niger Rp	C.F.A. Franc	466¾
Nigeria (S)	Naira	1.4040
Norway	Nrwg Krone	11.48¼
Oman Sultanate of (S)	Rial Omani	0.755
Pakistan (S)	Pkst. Rupee	21.28(sg)
Panama	Balboa	2.1755
Panama Canal Zone	U.S. $	2.1755
PapuaN.G.(S)	Aust. Dollar	1.6627

Place and Local Unit		Value of £ Sterling
Paraguay	Guarani	273.78
P'pl's D. Rp. of Yemen (S)	S. Yemen Dinar	(A)0.75
Peru	Sol	ex.c(A)84.18 / (A)94.50*
Philippines	Ph. Peso	16.5725
Pitcairn Is.(S)	£ Sterling / New Zealand $	— / 1.6957
Poland	Zloty	(Bas.) 44 / (T) 79.6
Portugal	Pgse Escudo	56.000
Port Timor	Timor Escudo	56.00
Principe Isle.	♥♥	♥♥
Puerto Rico	U.S. $	2.1755
Qatar (S)	Qatar Ryal	8.585
Reunion. Ile de la	C.F.A. Franc	466¾
Rhodesia	Pound ●●	n.a.
Romania	Leu	(cm) 11.88 / (n/c)(T) 27.85
Rwanda	Rwanda Franc	215.815
St. Christopher (S)	E. Caribbean $	4.80
St. Helena (S)	£ Sterling	—
St. Lucia (S)	E. Caribbean $	4.80
St. Pierre	C.F.A. Franc	466¾
St. Vincent(S)	E. Caribbean $	4.80
Salvador El	Colon	5.44
Samoa (Am)	U.S. $	2.1755
San Marino	Italian Lira	1,425½
Sao Tome	♥♥	♥♥
Saudi Arabia	Ryal	7.725
Senegal	C.F.A. Franc	466¾
Seychelles	S. Rupee	15.35
Sierra Leone(S)	Leone	2.0
Singapore (S)	Singapore $	5.3425
Somali Rep.	Som Shilling	(A)13.60(sg)
Sth. Africa (S)	Rand	1.561809
S. W. Africa Territories (S)	S. A. Rand	1.561809
Spain	Peseta	125.50
Span. Ports in North Africa	Peseta	125.50
Sri Lanka (S)	S. L. Rupee	15.5688(sg)♦♦
Sudan Rp.	Sudan £	(A)0.750(sg)
Surinam	S. Guilder	3.8941
Swaziland (S)	Lilangeni	1.551809
Sweden	S. Krona	9.10½
Switzerland	Swiss Franc	5.75¾
Syria	Syria £	(A)8.25(sg)
Taiwan	New Taiwan $	(P)82.665
Tanzania (S)	Tan. Shilling	15.865
Thailand	Baht	44.22
Togo Rp.	C.F.A. Franc	466¾
Tonga Is. (S)	Pa'anga	1.5765
Trinidad (S)	Trin. & Tobago	4.80
Tunisia	Tunisian Dinar	0.848(sg)
Turkey	Turkish Lira	31.052
Turks & C's	U.S. $	2.1755
Uganda (S)	Ug. Shilling	15.54725
Utd. States	U.S. Dollar	2.1755
Uruguay	Uruguay Peso	(cm) 5.28 / (fn) 6.05
Un'd A'b Emts	U.A.E. Dirham	8.53
U.S.S.R.	Rouble	1.57
Upper Volta	C.F.A. Franc	466¾
Vatican	Italian Lira	1,425½
Venezuela	Bolivar	9.51(x)
Vietnam(Nth)	Dong	(O) n.a. (g) / (T) n.a. (g)
Vietnam (Sth)	Piastre	n.a.
Virgin Is. U.S.	U.S. Dollar	2.1755
Western Samoa (S)	Samoan Tala	1.2961
Yemen	Ryal	9.50(sg)
Yugoslavia	New Y Dinar	37.3806
Zaire Rp.	Zaire	1.0875
Zambia (S)	Kwacha	1.3991

♦ That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa.

♦♦ Rupees per pound. Tourists visiting Sri Lanka receive a premium of 65 per cent.

●● A decimal currency for the dollar, equal to 10 Rhodesian shillings was introduced by the independent regime on February 17, 1970. Recent reports suggest a rate of about 1.332943 Rh. dollars to £1.

♠ The Ouguiya has replaced the CFA franc. The exchange was made at a rate of CFA Frs.5 to one unit of the new currency.

(x) General rate: oil and iron exports 9.1371.

(g) The Mongolian tugrik has lately been reported to stand at an official commercial rate of 0.225 Russian roubles, the North Vietnam dong at 0.306 roubles, and the North Korean won at 0.7483 roubles. With the pound standing at 1.57 roubles, the following relationships could be calculated for the pound: £1=6.98 tugriks; £1=5.13 dongs, £1=210 won.

♥♥ Information not available for this edition.

* Rate is the Transfer market (controlled).

** Rate now based on 2 Barbados $ to the dollar.

APPOINTMENTS

Baker Perkins chairman retiring

Sir Ivor Baker, chairman of the BAKER PERKINS group since 1944, announced in the 1974-75 report and accounts that he is to retire at the annual meeting on August 13 after 44 years with the company. Sir Ivor's successor is to be Mr. Ian H. G. Gilbert, 64, at present deputy chairman, and a director of BAKER PERKINS HOLDINGS since 1972. Mr. Gilbert is also chairman of Wilkinson Match formerly British Match Corporation and a Council Member of the CBI. Sir Ivor, 67, is a great grandson of Joseph Baker, co-founder of the company.

Mr. John M. Grant is retiring as managing director of THE CARPET MANUFACTURING COMPANY, Kidderminster, on September 30 next, under the normal retirement plan for Carpets International senior executives. Mr. Gordon J. Field has been appointed managing director-designate, and will take up his duties with effect from October 1. Mr. A. C. Roden, at present deputy managing director of THE CARPET MANUFACTURING COMPANY, will resign from that position on the same date in order to concentrate fully on his duties in Carpets International as director of manpower resources. He will remain a director of the company.

*

Mr. Michael Lewis, chairman and managing director of OXLEY PRINTING GROUP, announces that Mr. Graham Dagwell has been appointed managing director of LAYTON-SUN GROUP and ART REPROGRAPHIC (LONDON), platemaking subsidiaries. Mr. Graham Noakes, who has been responsible for management of the two companies, will now concentrate on his main role of executive deputy chairman of the Group, but for the time being the provincial platemaking companies will continue to be his responsibility. Mr. Dagwell joins the Oxley Group from Craske Vaus and Crampton, of which he was joint managing director.

*

Mr. C. W. Ross has been appointed deputy manager of the London branch of the NORTHERN TRUST COMPANY OF CHICAGO, succeeding Mr. R. Romanoff, Jr., vice-president, who is returning to head office as a division head within the International Banking Department.

Mr. I. M. Norris has been appointed an additional director of C. E. HEATH AND CO (INTERNATIONAL) with effect from July 8.

*

Mr. A. R. G. McCullen has been appointed to the Board of BATLEYS OF YORKSHIRE and has also been made managing director of the company. This follows the resignation, for domestic reasons, of Mr. F. J. Bullock as managing director and also from the Board of Batleys.

Mr. McCullen was responsible for opening the company's Tinsley warehouse and was its first manager in October, 1969.

*

The Board of LEYLAND SOUTH AFRICA has appointed Mr. Peter Murrough, 45, as managing director with immediate effect. He has been sales and marketing director of the company since last December.

*

Dr. H. R. Pitt, Vice-Chancellor of the University of Reading, has been appointed chairman of the UNIVERSITIES CENTRAL COUNCIL ON ADMISSIONS from October 1 next. He succeeds Dr. G. Templeman, Vice-Chancellor of the University of Kent, who has been chairman since August, 1964.

This Introduction was arranged by

HILL SAMUEL & CO. LIMITED

MERGER of the following companies all of whose share capitals were quoted

BRITISH ISLES & GENERAL INVESTMENT TRUST LIMITED • CAIRNTON INVESTMENT TRUST LIMITED
FIRST RE-INVESTMENT TRUST LIMITED • MELBOURNE AND GENERAL INVESTMENT TRUST LIMITED
NELSON FINANCIAL TRUST LIMITED • NEW WORLD & GENERAL INVESTMENTS LIMITED • SCOTTISH, OVERSEAS & COMMONWEALTH INVESTMENT TRUST LIMITED • STERLING & OVERSEAS INVESTMENTS LIMITED
UNITED KINGDOM & OVERSEAS INVESTMENT COMPANY LIMITED • CHARTERLAND & GENERAL LIMITED
FANTI CONSOLIDATED INVESTMENT COMPANY LIMITED • THE INVESTMENT AND PROPERTY TRUST LIMITED
NORTHERN & TRANSATLANTIC TRUST LIMITED

and the following companies none of whose share capitals were quoted

COLONIAL AND FOREIGN SECURITIES CORPORATION LIMITED • THE GENERAL SECURITIES INVESTMENT TRUST COMPANY, LIMITED
MORGAN, LYONS & CO. LIMITED • PREFERENTIAL INVESTMENT TRUST LIMITED • SECOND RE-INVESTMENT TRUST LIMITED
TRUST OF TRANS-CANADA SHARES LIMITED

by means of a SCHEME OF ARRANGEMENT under section 206 of the Companies Act 1948

ESTATES HOUSE INVESTMENT TRUST LIMITED

SHARE CAPITAL

Authorised: £		Issued fully paid: £
400,000	in 400,000 3.36 per cent. Cumulative Preference shares of £1 each	400,000
606,761	in 606,761 4.2 per cent. Cumulative Preference shares of £1 each	606,761
932,840	in 932,840 5.04 per cent. Cumulative Preference shares of £1 each	932,840
378,144	in 378,144 5.46 per cent. Cumulative Preference shares of £1 each	378,144
806,789	in 806,789 6.72 per cent. Cumulative Preference shares of £1 each	806,789
3,124,534		3,124,534
5,275,466	in Ordinary shares of 25p each	4,884,950
£8,400,000		£8,009,484

LOAN CAPITAL

	Issued: £
4.8 per cent. Debenture Stock 1979/84	190,417
5.1 per cent. Debenture Stock 1980/85	150,000
5.4 per cent. Debenture Stock 1979/84	100,000
6 per cent. Debenture Stock 1985/90	375,432
6.6 per cent. Debenture Stock 1985/90	429,152
7.2 per cent. Debenture Stock 1982/87	378,174
7.5 per cent. Debenture Stock 1978/83	120,000
8.4 per cent. Debenture Stock 1975/78	541,916
	2,285,091
8.5 per cent. Convertible Debenture Stock 1995/2005	201,957
	£2,487,048

Directors
SIR PETER TELFORD HAYMAN, K.C.M.G., C.V.O., M.B.E., *Chairman*
Uxmore House,
Checkendon,
Oxfordshire.
WILLIAM HARRISON HARRISON-CRIPPS, M.A., *Executive*
Orchard Dene,
Riversdale,
Bourne End,
Buckinghamshire.
DAVID HENRY MAITLAND, F.C.A., *Non-Executive*
The Forge,
Wood Street Green,
Guildford,
Surrey.
HENRY RODERICK MOORE, C.B.E., M.A., *Non-Executive*
Chesterfield House,
Chesterfield Gardens,
London, W.1.
LAWRENCE VICTOR DOLMAN TINDALE, C.B.E., C.A., *Non-Executive*
3 Amyand Park Gardens,
Twickenham,
Middlesex.

Secretary and Registered Office
VERNON DESMOND WEBB,
Estates House,
66 Gresham Street,
London, E.C.2.

Financial Advisers
HILL SAMUEL & CO. LIMITED,
100 Wood Street,
London, E.C.2.

Auditors and Reporting Accountants
WHINNEY MURRAY & CO., *Chartered Accountants*
57 Chiswell Street,
London, E.C.1.

Solicitors
ALLEN & OVERY,
9 Cheapside,
London, E.C.2.

Solicitors to Hill Samuel
SLAUGHTER AND MAY,
35 Basinghall Street,
London, E.C.2.

Investment Consultants
ROBERT FLEMING INVESTMENT MANAGEMENT LIMITED,
8 Crosby Square,
London, E.C.3.

Brokers
CAZENOVE & CO.,
12 Tokenhouse Yard,
London, E.C.2.
and
The Stock Exchange.

Registrars and Transfer Office
HILL SAMUEL REGISTRARS LIMITED,
6 Greencoat Place,
London, S.W.1.

Trustees of the Debenture Stocks
EAGLE STAR INSURANCE COMPANY LIMITED,
1 Threadneedle Street,
London, E.C.2.

Solicitors to the Trustees of the Debenture Stocks
SIMMONS & SIMMONS,
14 Dominion Street,
London, E.C.2.

Estates House Investment Trust Limited ("The New Trust") and its subsidiary, Estates House Securities Limited ("EHSL"), were formed to acquire the assets and liabilities of the nineteen companies referred to above by a Scheme of Arrangement under Section 206 of the Companies Act 1948 ("the Scheme"). On 21st July, 1975, the Scheme became effective, and the assets and liabilities of the Scheme Companies became assets and liabilities of the New Trust or of EHSL. This advertisement gives details of the background to the Scheme, financial information regarding the New Trust, details of its investments, and particulars of its Articles of Association and the Debenture Stocks. It is anticipated that dealings in the securities of the New Trust will begin on 22nd July, 1975.

"BIGIT" means British Isles & General Investment Trust Limited.
"Cairnton" means Cairnton Investment Trust Limited.
"FRIT" means First Re-Investment Trust Limited.
"Melbourne" means Melbourne and General Investment Trust Limited.
"Nelson" means Nelson Financial Trust Limited.
"New World" means New World & General Investments Limited.
"SOCIT" means Scottish, Overseas & Commonwealth Investment Trust Limited.
"SOIL" means Sterling & Overseas Investments Limited.
"U.K. & Overseas" means United Kingdom & Overseas Investment Company Limited.
"Charterland" means Charterland & General Limited.
"Fanti" means Fanti Consolidated Investment Company Limited.
"I and P" means The Investment and Property Trust Limited.
"N & T" means Northern & Transatlantic Trust Limited.
"Colonial and Foreign" means Colonial and Foreign Securities Corporation Limited.
"GSIT" means The General Securities Investment Trust Company, Limited.
"Morgan Lyons" means Morgan, Lyons & Co. Limited.
"Preferential" means Preferential Investment Trust Limited.
"SRIT" means Second Re-Investment Trust Limited.
"Trust of T-C" means Trust of Trans-Canada Shares Limited.
"The Scheme Companies" means the companies listed above.
"SADA" means Sterling and Dollar Areas Investment Trust Limited.
"NGUT" means The National Group of Unit Trusts Limited.
"The Scheme Capital" means the issued Ordinary share capitals, Preference share capitals and Debenture capitals of the Scheme Companies.
"The Scheme Cross-holdings" means the share capitals of the Scheme Companies beneficially owned by other Scheme Companies.
"The Public Holdings" means the share and Debenture capitals of the Scheme Companies other than the Scheme Cross-holdings.
"Hill Samuel" means Hill Samuel & Co. Limited.
"The DoT Inspectors" means the Inspectors appointed under section 165 (b) of the Companies Act 1948 to investigate (a) the affairs of FRIT, Nelson and English and Scottish Unit Trust Holdings Limited and (b) certain of the affairs of Australian Estates.
"Algoma" means Algoma Central Railway.
"Anglo-Thai" means The Anglo-Thai Corporation Limited.
"Australian Estates" means the Australian Estates Company Limited.

Section I: Background

The following are edited extracts from a document dated 2nd May, 1975, containing letters from the Chairman of the New Trust and from Hill Samuel which were sent to the Shareholders and Debenture Stockholders of the Companies with details of the Scheme and from a subsequent letter from Hill Samuel dated 22nd May, 1975 —

Your Companies hold key positions in a group of quoted and unquoted investment trust, investment dealing and trading companies. These companies have in the past been colloquially known as the Lowson group of companies through their association with Sir Denys Lowson. They do not have a formal group structure in the legal and accounting sense, that is with a holding company exercising control over its subsidiaries. Rather, as the DoT Inspectors reported, Sir Denys Lowson "effectively controlled most of these companies through interlocking shareholdings combined with personal holdings, although there was also a significant public shareholding in many of the companies within the Lowson Group". Such a structure has proved to have a number of significant disadvantages for the quoted Scheme Companies and investors in them.

First, the market for dealings in the securities of the quoted Scheme Companies is seriously restricted. Substantial holdings in each of the Scheme Companies, particularly of Ordinary shares, are held by other Scheme Companies and SADA; these holdings, in almost every case, total nearly half or more of the issued Ordinary shares of the Scheme Companies. Other companies, either jointly-owned by the Scheme Companies or by the Scheme Companies and the Lowson family interests, also have holdings in the Ordinary shares of the Scheme Companies, and this further restricts the number of shares in public hands in which dealings can take place.

Secondly, the number and complexity of the Scheme Cross-holdings has meant that it has been difficult for investors to make a true assessment of the value of the underlying assets of the Scheme Companies. The situation has been made more difficult because the Scheme Companies have minority interests in a number of unquoted investments; full information regarding these investments has not been available to shareholders of the Scheme Companies. In recent years the securities of the quoted Scheme Companies have generally received a lower rating on The Stock Exchange than the securities of other investment trusts and investment dealing companies and the lack of information has undoubtedly been a contributory factor. The Ordinary shares of the investment trust companies have, in particular, been traded at a greater than normal discount to the market value of their immediate investments.

Thirdly, the impact of this unusually large discount has been magnified by the Scheme Cross-holdings. The figures for the market value of the Scheme Companies' immediate investments, as shown in their Balance Sheets, are little guide to the true value of their underlying assets because the investments of each of them include large holdings in securities of other Scheme Companies, which themselves stand at unusually large discounts.

Fourthly, the cross-holding structure has reduced the level of dividends paid to Ordinary shareholders because each investment company in the group has retained a proportion of its dividend income and as a result the overall level of retentions by the Scheme Companies has been exceptionally high.

Objectives and advantages of the Scheme

After an initial review of the affairs of the Lowson group Hill Samuel advised that the objectives of any reorganisation scheme should be (1) to eliminate the present highly complex cross-holding structure; (2) to separate the interests of the Lowson family from those of the public; and, overriding everything, (3) to confer on investors in the Scheme Companies the maximum financial advantage in the shortest practicable time, having regard to the nature of their investment.

The principal methods by which the overall objectives might be achieved were (i) the conversion of the group into one or more authorised unit trusts ("unitisation"), (ii) the liquidation of the group, or (iii) the amalgamation of the Scheme Companies into a new investment trust.

The implications of each of these procedures are:

(i) Unitisation

Unitisation would involve the liquidation or dissolution of the Scheme Companies and the transfer of their surplus assets, after meeting all liabilities and repaying the Preference and Debenture capitals, to one or more authorised unit trusts, whose units would then be issued to the Scheme Companies' remaining shareholders. Unitisation would seem to have the advantage of largely eliminating the discount to underlying asset value at which the Ordinary shares of investment trusts are normally quoted on The Stock Exchange; units in an authorised unit trust are bought and sold at prices calculated on a standard formula laid down by the Department of Trade which bases the value of the units on the value of the portfolio of the unit trust. But it follows from this that the investments of a unit trust must comprise readily realisable securities and cash; its portfolio must be capable of accurate valuation to preserve equity between unit holders and must be capable of realisation at short notice to provide cash to meet redemptions. For these reasons the Department of Trade strictly limits both the percentage of unquoted investments and the percentage of the capital of any single company which may be held by an authorised unit trust. Unitisation of the Scheme Companies would necessitate the repayment of the Preference and Debenture capitals, after which a substantial proportion of the remaining assets would be represented by controlling or near controlling stakes in trading companies, unquoted investments and legal claims against Sir Denys Lowson and others, which would be unsuitable for retention in a unit trust. Even taking account of the realisation for cash of the Scheme Companies' holdings in Australian Estates the composition of these assets is such that their conversion into readily realisable securities and cash, to the extent necessary for unitisation to be practicable, would be impossible in the short term.

(ii) Liquidation

Immediate liquidation suffers from many of the same disadvantages as unitisation, since the return of capital to investors would, in practice, involve converting the Scheme Companies' assets into cash, which would be impossible in a short space of time. The complex cross-holding structure of the group, the composition of its assets, and current litigation against Sir Denys Lowson and others would mean that completion of the liquidations would be likely to take a number of years and final distributions to shareholders could not, in practice, take place until every company was in a position to distribute its remaining assets simultaneously. The complex cross-holding structure of the group would mean that funds realised would flow from company to company around the group, causing serious administrative and taxation problems; and it is probable that the portfolios of the Scheme Companies could only be wholly liquidated at below the ruling market prices.

(iii) Amalgamation

The realisation of the Scheme Companies' assets for the benefit of their shareholders by means of unitisation or liquidation would only be possible, if at all, after a delay of some years and in the meantime a number of the least desirable features of the present situation would be perpetuated.

Hill Samuel concluded therefore that the creation of a new investment trust in which the Scheme Companies would be merged was the only way in which the position of all investors in the Scheme Companies could be immediately improved. The essential elements of such a scheme would be the elimination of the cross-holding structure and the establishment of a flexible base from which could be pursued the separation of the Lowson family interests from those of the public, the litigation against Sir Denys Lowson and others and the orderly realisation and rationalisation of other assets. Ordinary shareholders would benefit immediately from (i) the elimination of the exceptional element of the discount (resulting from the Scheme Cross-holdings) at which their shares are quoted and (ii) a reduction in the overall level of retentions which would increase the proportion of the Scheme Companies' income available for distribution. Holders of Preference and Debenture Capitals in the Scheme Companies would receive suitable improvements in their terms.

The present Scheme was therefore proposed by which the Scheme Companies would be amalgamated into a single investment trust, but SADA, through which the Lowson family holds its major interests in the group, would be left for the time being as a separate entity.

Accordingly, a steering committee was formed which included representatives of the Scheme Companies and the people who, it was proposed, should eventually become the Board of the New Trust and I was invited to become its Chairman. Although the steering committee and Hill Samuel have, over the months, worked towards the Scheme now proposed, we have at all times kept the possibility of other solutions under review. In particular, we have considered carefully the implications of the realisation for cash of the Scheme Companies' investments in Australian Estates.

It is still our unanimous view that the proposed Scheme is not only in the best interests of all investors in the Scheme Companies but is superior to any other course of action. Since the Ordinary shares of the New Trust can, in common with other investment trusts, be expected to stand in the Stock Market at a discount to their underlying asset value, we are very conscious of our responsibilities in taking this view. We are, however, convinced that the hope, which is held out by unitisation or liquidation, of immediate realisation at or near asset value is in present circumstances illusory, and that the present Scheme is an essential preliminary to whatever course may later be decided upon as being in the best interests of shareholders and stockholders.

DIRECTORS AND MANAGEMENT

In my view, the Directors and management of the New Trust have the appropriate combination of outside experience and continuity.

I am part-time executive Chairman. I am aged 60 and retired recently from a career in the Diplomatic Service. From 1970 until my retirement I was British High Commissioner in Canada.

Mr. D. H. Maitland, aged 52, is a Chartered Accountant, who has been involved for fifteen years in the unit trust industry. He is Managing Director of Save & Prosper Group Limited and also a Director of Save & Prosper Linked Investment Trust Limited and Investment Annuity Inc. He is a non-executive Director.

Mr. H. R. Moore, aged 59, has wide industrial, commercial and banking experience. He is Chairman of Associated Engineering Limited and Staveley Industries Limited, Vice-Chairman of Philip Hill Investment Trust Limited and a Director of Hill Samuel Group Limited and Stone-Platt Industries Limited. He is a non-executive Director.

Mr. L. V. D. Tindale, aged 64, is a Chartered Accountant. He is Deputy Chairman of Finance for Industry Limited; he is also Chairman of Edbro Holdings Limited, a member of the National Research and Development Corporation, a Director of Reyrolle Parsons Limited, General Funds Investment Trust Limited, Investment Trust of Guernsey Limited and several other companies. He is a non-executive Director.

Mr. W. H. Harrison-Cripps, is aged 53. He was a Director of twelve of the Scheme Companies and is also a Director of Angus Milling (Holdings) Limited and Forum Properties Limited. He is a Director and an executive of the New Trust.

The above are the Board of the New Trust.

Mr. Harrison-Cripps together with Mr. P. A. Revell-Smith, Mr. R. D. Guthrie and Mr. T. E. W. Waddington will provide the New Trust with the essential element of continuity between the old and the new groups. All have occupied executive positions in the old group.

Mr. Revell-Smith is aged 50. He was a Director of thirteen of the Scheme Companies. He is an executive of the New Trust.

Mr. Guthrie, aged 65, and Mr. Waddington, aged 67, have agreed to serve for one year as consultants to the New Trust in order to assist with the change over.

INVESTMENTS

The New Trust is an investment trust with investments which had an estimated market value at 31st December, 1974 of about £38,164,000. The main categories of assets of the New Trust (including the holdings of consolidated investment company subsidiaries) together with their estimated values at 31st December, 1974 were:—

	£'000
(1) Quoted investments including	
(i) a general portfolio	7,470
(ii) a number of substantial holdings in trading and investment companies	21,874
(iii) a 40.6 per cent. direct interest (excluding a 4.6 per cent. interest held by dealing subsidiaries) in the ordinary share capital of SADA	3,307
(2) Other investments including	
(i) interests in unquoted property companies	2,607
(ii) interests in unquoted dealing subsidiaries (taking their investments at the lower of cost or market value)	1,683
(iii) other unquoted securities	1,123
	38,164

(3) Direct and indirect interests in claims against Sir Denys Lowson and others in respect of certain transactions in the shares of NGUT.

In addition net current assets (including cash) amounted to £1,187,000 at 31st December, 1974.

Further information on each category of assets is given in Section III below.

As is shown by the pro-forma consolidated balance sheet of the New Trust as at 31st December, 1974, in Section II below, the aggregate of the interests of minority shareholders in partly-owned investment company subsidiaries of the New Trust amounted to £869,000, of which £207,000 represents the interests held by non-consolidated dealing subsidiaries.

(1) Quoted investments

The total market value of the quoted investments of the New Trust at 31st December, 1974, excluding SADA, was £29,444,000.

(i) General portfolio

The general portfolio consists of marketable holdings in quoted securities none of which represents more than 5 per cent. of any one class of security and had a market value in excess of £50,000 at 31st December, 1974.

(ii) Substantial holdings

The New Trust and its subsidiaries (including for this purpose dealing subsidiaries) have substantial shareholdings in a number of trading and investment companies. In particular, they own 46.2 per cent. of the Ordinary shares of Anglo-Thai and 18.2 per cent. of the Common shares of Algoma (incorporated in Canada).

Anglo-Thai carries on business as Far East merchants and has wide-ranging interests as agents and manufacturers in Hong Kong, Malaysia, Singapore and Thailand; it also operates in Australia, Canada, Panama and the United Kingdom.

Algoma primarily operates a railway freight service between the city of Sault Ste. Marie and the Algoma district of Northern Ontario. The Company also operates a fleet of bulk freight carriers on the Great Lakes and owns 850,000 acres of land adjacent to the railway (including 43 townships), over which the company has all timber and mineral rights. It has carried out real estate developments at Sault Ste. Marie and owns trucking businesses operating out of Southern Ontario.

The holdings in the above companies are much the largest individual quoted investments of the New Trust and its subsidiaries; a list of all the investments with a market value in excess of ½ per cent. of the consolidated portfolio at 31st December, 1974 or where the interests held are in excess of 10 per cent. of the Ordinary share capital of a company is shown in Section III below. The holdings of the New Trust and its subsidiaries in quoted securities which had a market value at 31st December, 1974 in excess of £50,000 and where their interest exceeds 5 per cent. of the Ordinary share capital of the company are as follows:—

ESTATES HOUSE INVESTMENT TRUST LIMITED — continued

Company	Aggregate holdings of the New Trust and all its subsidiaries as at 31st December, 1974: Proportion of issued Ordinary share capital	Approximate market value**
	%	£'000
Anglo-Thai	48.2	7,113
Algoma	18.2	3,982
The Trust and Agency Company of Australasia Limited	31.9	959
Atlantic Alliance Trust S.A.	83.7	660
The Kulim Group Limited	6.1	437
Totalisators and Greyhound Holdings Limited	48.5	350
Yule Catto & Co. Limited	11.3	348
Pacific Atlantic Canadian Investment Company Limited	45.2	228
Antofagasta (Chili) and Bolivia Railway Company, Limited	44.1	297
Epicure Holdings Limited	78.4	261
Costa Rica Railway Company Limited	47.9	260
South Winnipeg Limited	37.0	179
The English Association of American Bond and Share Holders, Limited	34.6	161
American Association Limited	23.9	150
Canadian International Investment Trust Limited	7.6	132
The Selukwe Gold Mining and Finance Company, Limited††	50.5	129
The Western Canada Investment Company Limited	14.4	123
General and Commercial Investment Trust, Limited	9.1	109
Stanley Gibbons International Limited	5.1	78
Angus Milling (Holdings) Limited	25.8	59
		16,013
†Australian Estates—Voting	60.8	6,866
—Non-Voting	15.1	
		22,879*

*The holdings of the dealing subsidiaries of the New Trust amount in aggregate to £905,000.

**Market value includes investment currency premium where applicable.

†On 7th March, 1975 cash offers from CSR Limited of £10.1m. were accepted for these holdings; these offers became unconditional on 11th March, 1975.

††Part of the holding in The Selukwe Gold Mining and Finance Company, Limited has been sold since 31st December, 1974 and it will not therefore be a subsidiary of the New Trust.

(iii) SADA

The New Trust and its subsidiaries hold 45.2 per cent. of the Ordinary shares of SADA; other group unquoted companies which are not subsidiaries of the New Trust hold 1.1 per cent.; Australian Estates, Anglo-Thai and the public own 3.9 per cent., 2.5 per cent. and 0.3 per cent. respectively of the Ordinary share capital of SADA. SADA holds 18.8 per cent. of the Ordinary share capital of the New Trust.

SADA and its subsidiaries, which are wholly-owned, have investments in largely the same trading and investment companies as the New Trust. At 31st December, 1974, these investments included the following holdings:—

Company	SADA holdings at 31st December, 1974: Proportion of issued Ordinary share capital	Approximate market value*
	%	£'000
Anglo-Thai	1.0	160
Algoma	0.4	83
American Association Limited	10.0	63
Angus Milling (Holdings) Limited	40.1	92
		398
†Australian Estates—Voting	18.1	1,611
		2,009

*Market value includes investment currency premium where applicable.

†On 7th March, 1975 cash offers from CSR Limited of £2.3m. were accepted for these holdings; these offers became unconditional on 11th March, 1975.

SADA and its subsidiaries also have holdings in The Trust and Agency Company of Australasia Limited, Yule Catto & Co. Limited, South Winnipeg Limited, Epicure Holdings Limited, Costa Rica Railway Company Limited, Canadian International Investment Trust Limited and The English Association of American Bond and Share Holders Limited. None of these holdings had a market value at 31st December, 1974 of more than £20,000.

(2) Other investments

(i) Property

The New Trust owns 48.6 per cent. (excluding a 1.3 per cent. interest held by dealing subsidiaries) of the Ordinary share capital of Estates House Limited, an unquoted company owning, *inter alia*, the freehold of three properties in the City of London. These properties have been valued on an investment basis as between a willing buyer and a willing seller as at 31st December, 1974 by Messrs. Jones Lang Wootton, Chartered Surveyors, and Dron & Wright, Surveyors and Valuers, and, taking account of these valuations and the contingent liability to tax on capital gains within the company, the New Trust's interest in Estates House Limited has been valued at £727,000. Further information on Estates House Limited is given in Section III below.

The New Trust also owns the majority of the equity share capital (but without any voting rights) in two unquoted companies incorporated in the U.S.A., Florida Land & Minerals Corporation ("FL & M") and Global Land & Minerals Corporation ("GL & M"). Both companies are mainly concerned with financing, principally by way of loans, other unquoted companies, in which they have minority interests, engaged in property investment in Florida, U.S.A. On the basis of professional appraisals of the properties held by these companies no value has been attributed to the New Trust's interest in the share capital of FL & M and GL & M at 31st December, 1974. However, the New Trust holds Bonds of FL & M and GL & M in respect of money advanced by certain of the Scheme Companies which at 31st December, 1974 amounted to U.S. $2,435,000 in the case of FL & M and U.S. $168,000 in the case of GL & M, which were equivalent to £1,759,000 and £121,000 respectively, including the investment currency premium; the Bonds are included at these amounts in the pro-forma consolidated balance sheet of the New Trust shown in Section II below. In addition there was accrued unpaid interest on these Bonds amounting to US $2,226,000 (equivalent to £1,609,000 including the investment currency premium) to which no value has been attributed in the pro-forma consolidated balance sheet of the New Trust. The Directors of the New Trust will not feel obliged to support FL & M, GL & M and their associated companies. Further information on FL & M and GL & M is given in Section III below.

(ii) Dealing subsidiaries

The New Trust has a wholly-owned dealing subsidiary, Estates House Securities Limited, which has taken over the undertakings of the Scheme Companies which were dealing companies, namely Charterland, Fanti, I and P and N & T. In addition, one quoted and a number of unquoted dealing companies have become subsidiaries of the New Trust.

(iii) Unquoted securities

The New Trust and its consolidated subsidiaries have holdings in a large number of other unquoted companies which had a value at 31st December, 1974 of £1,123,000. Individual holdings which were valued at 31st December, 1974 at a figure in excess of ½ per cent. of the consolidated portfolio of the New Trust or where the interests held are in excess of 10 per cent. of the Ordinary share capital of a company are shown in Section III below.

(3) NGUT and DoT Inspectors

During June and July 1972 eleven companies in the Lowson Group ("the claimant companies") sold 124,928 "A" and 175,811 "B" Ordinary shares of 50p each in NGUT, representing a 78.6 per cent. interest in its equity capital, for the total sum of £186,458 (62p per share). By a series of transactions these shares were subsequently acquired by Sir Denys Lowson, his son, Mr. Ian Lowson, and other family interests and associates who, following a rights issue, resold their resulting holdings in early 1973 at a price representing an effective profit of £16.10 on each share originally sold by the claimant companies. The amount of this profit, aggregating £4,841,958, is being claimed by the claimant companies which include two of the Scheme Companies, FRIT and Nelson.

In a related transaction in July 1972, following the sale by the claimant companies of their NGUT shares, NGUT itself disposed of its 16 per cent. holding in Estates House Limited, which was acquired by Iowa Land Company Limited, at a price of £16,000, being a substantial under-valuation. The claimant companies are, therefore, also claiming the extra value, presently unquantified, which would have been attributed to their NGUT shares but for this disposal.

So far a total of £2,451,827 has been repaid by the Lowson interests together with further sums representing loss of NGUT dividend and interest on the sums claimed. These amounts have been included to the extent appropriate in the pro-forma consolidated balance sheet of the New Trust, shown in Section II below. The bulk of this money has been placed for the time being in a trust administered by Hill Samuel for the benefit of the various claimant companies and is currently earning deposit interest; the money will be distributed as soon as a decision has been reached by all the claimant companies as to the proper value to be attributed to the "A" and "B" shares respectively of NGUT. Counsel on behalf of ten of the claimant companies have advised that the two classes of shares should be treated for this purpose as having an equal value. The eleventh claimant company has been advised by Counsel that in view of certain aspects of the claims some additional value could be attributable to the "A" shares having regard to the voting rights attached thereto and that the amount of this would depend on commercial considerations.

Legal proceedings have been commenced against Sir Denys Lowson, Mr. Ian Lowson and others (including Iowa Land Company Limited and The Bank of Nova Scotia) for (*inter alia*) recovery of the balance of the profit and/or damages. Leading Counsel has advised that the claims of the claimant companies are well founded. On implementation of the Scheme the rights of FRIT and Nelson in these proceedings passed to the New Trust.

The transactions in the shares of NGUT and other related matters have been investigated by the DoT Inspectors whose interim report was published in July, 1974. A further report is now being prepared in relation to Australian Estates which will be dealing with the disposal of shares in Angus Milling (Holdings) Limited and South Winnipeg Limited. The matter of South Winnipeg Limited, in which six of the Scheme Companies were also involved, is referred to in more detail in Section VI below.

LOWSON FAMILY INTERESTS AND SADA

It was decided not to include SADA in the Scheme as the Lowson family interests, principally through their control of Iowa Land Company Limited, have a holding in SADA amounting to 41 per cent. of its Ordinary shares. If SADA had been included in the Scheme the Lowson family holding would have been exchanged for approximately 11 per cent. of the Ordinary shares of the New Trust and it was not considered desirable for Sir Denys Lowson and his family interests to have a stake of this magnitude in the New Trust.

Following the decision not to include SADA in the Scheme its Board appointed N. M. Rothschild & Sons Limited as financial advisers and an enlarged Board was created, representative of the various shareholding interests, under the Chairmanship of Mr. Wilfred Wareham, a former Secretary of the Quotations Department of The Stock Exchange. In discussions with the advisers of SADA it was recognised that, while SADA was not being included in the Scheme, consideration should be given to a subsequent merger of the interests of SADA and of the New Trust in view of the extent of the existing mutual investments of SADA and the Scheme Companies and in view of the cross-holdings of the New Trust in SADA and *vice versa*.

Accordingly, it is the intention of the Directors of the New Trust that a decision on the future of SADA should be reached as a matter of priority and to this end negotiations are in progress with the Lowson family interests which are also aimed at achieving a settlement of the NGUT claims. The Board of SADA has been given an assurance that the treatment of the outside shareholders and stockholders of SADA in any such arrangements would be at least as favourable as if SADA had itself been a participant in the Scheme. An assurance has also been volunteered that, in the absence of any settlement with the Lowson family interests, it is the intention of the New Trust, but only with the recommendation of the Board of SADA and subject to the approval of the City Panel on Take-Overs and Mergers, to make offers in due course to the outside shareholders and stockholders of SADA on the same basis as if SADA had itself been included in the Scheme. The offers would only be extended to Iowa Land Company Limited and other Lowson family interests if arrangements satisfactory to the New Trust can be made by them for the disposal of the consideration shares in the New Trust, or if the City Panel should so direct.

Neither Sir Denys Lowson nor Mr. Ian Lowson have any position, executive or otherwise, in the New Trust and will receive no remuneration or benefit of any kind from the New Trust other than as shareholder. It is the intention of the Board of the New Trust to achieve as soon as possible a similar position with regard to companies controlled by the New Trust.

The Lowson family and SADA hold 0.3 per cent. and 18.8 per cent. respectively of the equity of the New Trust. Information concerning their interests, where these are substantial, in investments in which the New Trust is also interested is shown in Section III below.

FUTURE POLICY OF THE NEW TRUST

The Directors of the New Trust are satisfied that the New Trust will be approved as an Investment Trust under section 359(1) of the Income and Corporation Taxes Act 1970 in respect of the year ending 31st December, 1975. It is the intention of the Board that this status should be maintained and shareholders will receive, by way of dividend, not less than 85 per cent. of the income available for distribution.

Although the structure of the group has been greatly simplified by the Scheme it will inevitably take time to achieve the further desirable simplification and rationalisation and the resulting economies which will be the principal objective of the Board. To achieve this objective a number of subsidiaries will have to be wound up, unsuitable investments disposed of and overheads reduced. Decisions as to the future of the substantial stakes in specific companies will be made on normal investment criteria.

The New Trust has taken over the interests of the Scheme Companies in claims against Sir Denys Lowson and others and has holdings in a number of companies in many of which the Lowson family interests are still represented or may even have control. Where further detailed investigation is required it will be pursued; negotiations will continue with a view to total separation of the Lowson interests by liquidation, disposal or, where it may be to the advantage of the New Trust, the acquisition of that interest. Any dealings between the New Trust and the Lowson family interests will be on a strictly arms length basis.

The implementation of the Scheme does not preclude unitisation or liquidation in the future should either of these courses appear more advantageous for shareholders. The immediate policy will be to separate the Lowson interests and resolve the current litigation against Sir Denys Lowson and others, whilst at the same time rationalising the combined portfolios into a readily realisable form. A decision can then be made as to the most advantageous course to be pursued; consideration will certainly need to be given to the alternatives of unitisation or liquidation, either of which would involve the repayment of the Preference and Debenture capitals. It is the intention that a meeting of all the shareholders of the New Trust should be held at the appropriate time so that members will have a full opportunity to express their views. For this reason and in order to maintain investment trust status it is the policy of the Board of the New Trust that surplus cash arising from the sale of existing investments (including Australian Estates) will be reinvested in readily marketable securities.

INVESTMENT MANAGEMENT

Investment management of the general portfolio, including dealing stocks, will be carried out by Investment Trust Services Limited ("ITS") under the overall direction of the Board of the New Trust. ITS is a wholly-owned subsidiary of Robert Fleming Holdings Limited and carries out a similar function for a number of leading investment trust companies. The proposed arrangement includes a complete advisory service from Robert Fleming Investment Management Limited. A summary of the agreement between ITS and the New Trust is shown in Section VI below.

DIVIDENDS

Set out below is a pro-forma consolidated notional income statement of the New Trust for a full year compiled in accordance with the accounting policies shown below and on the basis that:—

(i) subject to (ii) and (iii) below, income is that which would have been earned during 1974 had the New Trust and its consolidated subsidiaries held throughout that year a portfolio identical to that which would have been held at 31st December, 1974 had the Scheme then been implemented;

(ii) the realisation of the holdings in Australian Estates had taken place at 1st January, 1974 and the proceeds applicable to the New Trust and its consolidated subsidiaries (£8.9 million after estimated taxation of £1 million) had been reinvested for a full year to earn interest at the rate of 8 per cent. per annum (equivalent to a franked return of 5.73 per cent.);

(iii) the cash held on behalf of the New Trust and its consolidated subsidiaries, being the sums repaid by the Lowson interests in connection with transactions in the shares of NGUT as described above, less the appropriate amount of taxation, had been similarly reinvested for a full year from 1st January, 1974 to earn interest at the rate of 8 per cent. per annum;

(iv) the annual expenses of management on an ongoing basis (before any non-recurring or extraordinary items) calculated at estimated 1975 prices would be £231,000;

(v) corporation tax is payable at 52 per cent. and the basic rate of income tax is 33 per cent.;

(vi) a full year's interest and dividends on the Debenture Stocks and Preference shares issued by the New Trust are deducted at the relevant current rates.

The notional remaining surplus available for Ordinary shareholders shows earnings per share of 5.84p and on the basis of a distribution by way of Ordinary dividend of 85 per cent. of available earnings, the Ordinary dividend per share of the New Trust would, in a full year, have been 4.97p (equivalent to 7.42p gross). **These figures are given by way of illustration and are not a dividend forecast for the New Trust;** in particular, for the year ending 31st December, 1975, the New Trust will have been in existence for less than a year, and shareholders may receive dividends which total less than this figure.

The ordinary shares of the New Trust rank in full for all dividends and other distributions paid hereafter. It is proposed that the first dividend to be paid by the New Trust will be an interim dividend paid in October, 1975 in respect of the year ending 31st December, 1975. It is intended that in the future the final dividend of the New Trust will be paid in the second half of April in each year, an interim dividend being paid in each October.

Dividends on the Preference shares and interest on the Debenture Stocks of the New Trust will accrue from and including 21st July, 1975.

Section II: Financial Information

PRO-FORMA CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER, 1974

Set out below is a pro-forma consolidated balance sheet of the New Trust as at 31st December, 1974 as if the Scheme had become effective as at that date:—

	Note	£'000	£'000
Investments, at valuation	2		
Dealing subsidiaries, not consolidated	3		
Quoted abroad		417	
Unquoted		1,643	
			2,160
Trading subsidiaries, not consolidated			
Quoted in Great Britain		225	
Unquoted		2,972	
			3,197
Others			
Quoted in Great Britain	4	25,835	
Quoted abroad		6,404	
Unquoted		658	
			32,897
			38,164
Current assets			
Short-term deposits	5	2,673	
Debtors		520	
Cash and bank balances		217	
		3,410	
Less Current liabilities			
Creditors	6	1,198	
Overdrafts (secured £41,000)		60	
Taxation	5	582	
Dividends		383	
		2,223	
Net current assets			1,187
			39,351
Less Foreign currency loans		208	
Debenture stocks	7	2,491	
Preference capital	8	3,125	
Minorities	9	869	
			6,693
Net tangible assets attributable to ordinary shareholders			32,658
Represented by			
Ordinary share capital	8		4,095
Capital reserves			
Share premium		1,750	
Unrealised		20,191	
Realised		3,366	
			25,307
Revenue reserves			2,468
			32,658
Net assets per ordinary share—on basis of ordinary share capital			167.1p
—diluted for full conversion of convertible debenture stock			164.8p

Notes—

(1) The significant accounting policies adopted in arriving at the pro-forma consolidated balance sheet of the New Trust are as follows:—

(i) Basis of consolidation

(a) Subsidiary companies which are investment holding companies are consolidated; the remaining subsidiaries are not. A separate summary of the consolidated net assets of the unquoted subsidiaries engaged in share dealing is shown in note 3 below. Having regard to the fact that the holdings in trading subsidiaries are held as investments forming part of the New Trust's portfolio it is considered misleading to consolidate their results. For this reason application will be made to the Department of Trade to exempt the New Trust from the obligations laid down in paragraph 15 (4) of schedule 2 of the Companies Act 1967.

(b) Investments in subsidiaries not consolidated are included at market value in the case of quoted investments or at directors' valuation in the case of unquoted investments.

(c) Companies have been deemed to become subsidiaries from the date on which any Scheme Company acquired such an interest as resulted in the aggregate holding of all the Scheme Companies becoming a majority equity interest in that company.

(d) Goodwill arising on consolidation is written off against realised capital reserve.

(e) Merger accounting principles are applied and accordingly the reserves of the Scheme Companies retain their identity in the pro-forma consolidated balance sheet. The undistributed post-acquisition reserves of subsidiaries of Scheme Companies and of those which, upon merger, become subsidiaries are similarly treated.

	£'000
Expenditure	
Administration expenses (note)	231
Debenture interest	173
Other interest	18
	422
Net revenue before tax	2,196
Taxation	868
Net revenue after tax	1,328
Minority interest	25
Net revenue available for distribution	1,303
Preference dividends	161
Available for Ordinary shareholders	1,142
Earnings per Ordinary share—on basis of Ordinary share capital	5.84p
—diluted for conversion of the Convertible Debenture Stock	5.78p
Dividend per Ordinary share (net) (assuming 85 per cent. distribution)	4.97p

Note: Administration expenses include Directors' remuneration (including pension contributions) of £31,000.

Assumptions made for estimate of expenditure

The estimate of the annual ongoing expenditure of the New Trust and its consolidated subsidiaries included above is based on the following assumptions:—

(i) that there will be no material increase in the share or loan capital or the level of borrowed moneys;

(ii) that cost inflation will be at the rate of 20 per cent. per annum during 1975, and that the level of staff salary increases will be at the rate of 10 per cent. per annum during the same period;

(iii) that the terms of the agreement with the investment managers set out in Section VI below will not be materially changed;

(iv) that for the purposes of calculating the fee payable to the investment managers, the general portfolio under management will have a value of £25,000,000;

(v) that the appropriate U.S.$-London inter-bank rate of interest will not vary materially from 7½ per cent.;

(vi) that no legislation will be introduced which will materially affect the expenditure of the New Trust and its consolidated subsidiaries.

Section III: Investments

PORTFOLIO OF THE NEW TRUST

Analysis of holdings by sector

The following is an analysis by sector of the invested funds of the New Trust and its consolidated subsidiaries at 31st December, 1974 on the assumption that the Scheme had become effective at that date:—

	Valuation £'000	Valuation £'000	Proportion of valuation %	Proportion of valuation %
Major Investments				
Quoted				
**SADA	3,297		8.67	
*Australian Estates	6,749		17.68	
Anglo-Thai	6,775		17.76	
Algoma	3,893		10.20	
Trust and Agency of Australasia	956		2.51	
	21,680		56.81	
Unquoted				
Dealing subsidiaries	1,683		4.41	
		23,363		61.22
U.K. Investments				
Quoted				
Ordinary shares				
Aircraft and Automobiles	3		0.01	
Banks, Finance and Insurance	750		1.97	
Breweries and Distilleries	39		0.10	
Building	21		0.06	
Chemicals and Plastics	42		0.11	
Electrical	59		0.15	
Engineering	295		0.77	
Entertainment and Catering	684		1.79	
Food and Tobacco	196		0.51	
Investment Trusts	332		0.87	
Mines and Metals	556		1.46	
Oil	291		0.76	
Paper, Printing and Newspapers	21		0.06	
Properties	124		0.32	
Retail Stores and Wholesalers	157		0.41	
Miscellaneous	1,836		4.82	
		5,409		14.17
Loan stocks	821		2.15	
Preference shares	395		1.04	
Others	11		0.04	
		1,230		3.23
Unquoted Investments		1,723		4.51
		31,725		83.13
Overseas Investments				
Quoted				
Ordinary shares				
Mines and Metals	1,302		3.41	
Oils	213		0.56	
Railways	473		1.24	
Miscellaneous	2,290		6.00	
	4,278		11.21	
Fixed interest	154		0.40	
Unquoted investments	2,007		5.26	
		6,439		16.87
		38,164		100.00

**The figure shown for SADA above represents the New Trust's 40.8 per cent. direct interest in SADA at its full net asset value including SADA's 18.8 per cent. holding in the New Trust on the same basis.

*On 7th March, 1975 cash offers from CSR Limited of £9.9m were accepted for the interests in Australian Estates. These offers became unconditional on 11th March, 1975.

Geographical analysis of holdings

The following is a geographical analysis of the invested funds of the New Trust and its consolidated subsidiaries at 31st December, 1974 on the assumption that the Scheme had become effective on that date:—

	Quoted £'000	Unquoted £'000	Proportion of valuation: Quoted %	Proportion of valuation: Unquoted %
U.K.	24,425	3,406	64.00	8.92
Australasia	929	79	2.44	0.21
Canada	5,354	—	14.03	—
U.S.A.	757	1,928	1.98	5.05
S. America	485	—	1.27	—
Far East	234	—	0.61	—
Africa	519	—	1.36	—
Europe	47	—	0.12	—
	32,751	5,413	85.82	14.18

Portfolio of SADA

Analysis of holdings by sector

The following is an analysis by sector of the invested funds of SADA and its subsidiaries at 31st December, 1974 on the basis that the Scheme had become effective at that date:—

	Valuation £'000	Valuation £'000	Proportion of valuation %	Proportion of valuation %
U.K. Investments				
*New Trust		6,140		70.74
Quoted				
Ordinary shares				
*Banks, Finance and Insurance		1,672		19.26

	%
Hunyani Finance and Land Company Limited	44.5
Kalkallo Pastoral Pty. Limited	69.6
London & Caledonian Investment Trust Limited	69.8
The London, Foreign & Colonial Securities Limited—	
Ordinary shares of £1	100.0
Northern Counties Trustees, Limited	91.0
Philadelphia & General Investment Co. Limited (in liquidation)—	
Ordinary shares	100.0
Deferred shares	91.0
Procom Trust Company Limited (in liquidation)	0.5
The St. James' Insurance Company Limited	100.0
Sennel Finance & Contracts Limited	40.0
The Strathmore Investment Company Limited	97.1
Swithin's Lane Offices, Limited	100.0
Third Re-Investment Trust Limited (in liquidation)	90.5
Welsh Ceramic Industries Limited (in liquidation)	41.5

Except for the disposal of Australian Estates there have been no material changes since 31st December, 1974 in the above holdings. Part of the holding in The Selukwe Gold Mining and Finance Company, Limited has been sold since 31st December, 1974 and it is not therefore a subsidiary of the New Trust.

Holdings in companies in which the Lowson family has a substantial interest

The New Trust and its subsidiaries and SADA have the following equity holdings in companies in which the Lowson family had a 10 per cent. or greater interest as shown in schedules to the Interim Report of the DoT Inspectors on FRIT, Nelson and English and Scottish Unit Trust Holdings Limited (and, in the case of Estates House Limited adjusted for issues of shares since that date). This list of Lowson family interests in companies in which the New Trust, its subsidiaries, and SADA are also interested is not thought to be exhaustive.

	New Trust and Subsidiaries of the New Trust %	SADA %	Lowson Family %
All Canadian-American Investments Limited	33.7	—	62.5
American Association Limited	23.9	10.0	46.7
Angus Milling (Holdings) Limited	25.8	40.1	19.1
Colbridge Trust Limited			
Ordinary shares	40.0	10.0	50.0
Deferred shares	40.0	10.0	50.0
Estates House Limited	49.9	—	15.7
Garland Investment Trust Limited			
Ordinary shares	48.6	13.5	30.4
SADA	45.2	—	41.0
South Winnipeg Limited	37.0	0.3	57.0

In addition, Schedules to the Interim Report of the DoT Inspectors showed that the Lowson family interests controlled 81.7 per cent. of the voting rights in The Filo Investment Company Limited, 51.7 per cent. of the voting rights in English and Scottish Unit Trust Holdings Limited, 49.3 per cent. of the voting rights in Fortress Investment Corporation Limited and 38.5 per cent. of the voting rights in The London, Foreign & Colonial Securities Limited at 31st July, 1973.

PRINCIPAL PROPERTY INTERESTS OF THE NEW TRUST

This section contains financial information on unquoted property companies certain of which are subsidiaries of the New Trust, but which are not consolidated in the pro-forma balance sheet of the New Trust at 31st December, 1974, and which it is intended will not be consolidated in the audited accounts of the New Trust in the future.

Estates House Limited

The New Trust and its subsidiaries own 49.9 per cent. of the equity share capital of Estates House Limited, an unquoted property investment company.

(1) Property

The following is a copy of a report on valuations carried out by Messrs. Jones, Lang, Wootton, Chartered Surveyors, and Dron & Wright, Surveyors and Valuers, on the properties of Estates House Limited:—

The Chairman and Directors,
Estates House Limited,
Estates House,
66 Gresham Street,
London EC2V 7BD

28th February, 1975.

Gentlemen,

Estates House Limited.
56 Gresham Street, London, E.C.2
66 Gresham Street, London, E.C.2
3/5 Norwich Street, London, E.C.4
27/29 Furnival Street, London, E.C.4
5 Queen Street, London, E.C.4

In accordance with the instructions given at our meeting in your offices on 14th January, 1975, we have carried out a valuation of the interests of the above named properties owned by your Company. You have informed us that these properties are freehold with the exception of 56 Gresham Street and 5 Queen Street which are leasehold, and we attach a schedule of current tenancies which you have supplied and which forms the basis of our valuation.

As agreed, the valuation has been made on the following basis:—

1. The relevant date of the valuation is 31st December, 1974.
2. No structural surveys have been made but subject to paragraph 6 (below) no serious defects are known to us. We are, however, not able to report that the various buildings are free from rot, infestation and other defects. We have not inspected the services.
3. We have not examined Title and lease documents and, except where stated, have assumed that these are in the usual form and contain no unusual covenants or onerous restrictions on the Company's interests and that their Lessees have fully complied with their covenants. We have adopted the information as to tenure, tenancies, plans, areas and Town Planning which you have supplied as being correct and complete.
4. The valuation figures represent our opinion of the value of the various properties on an investment basis, as between a willing vendor and a willing purchaser on the appropriate date, subject to the following observations:—
   - There has been a considerable reduction in the level of activity in the property investment market since the early part of last year. This has been occasioned by uncertainty regarding a combination of financial, political and economic matters which affect net income and yields, as a result, there is a limited amount of market evidence.
   - We have therefore arrived at our opinion of value by assuming a transaction between a willing seller and willing buyer, fully taking into account current market conditions but it should be appreciated that in relation to certain types of property, particularly those of a heavily reversionary character, it would probably be difficult to find a purchaser at this particular time.
   - We have excluded any extra value to a special purchaser and, in the case of 27/29 Furnival Street, we consider that at the present time it would be uneconomic to implement the Planning Permission which has recently been granted.
   - We have assumed that in all cases a reasonable time would be allowed in order to achieve sales, if necessary, at the figures shown in this report.
5. Our valuation does not take account of any rights, obligations or liabilities whether prospective or accrued, under the Defective Premises Act 1972.
6. We have no evidence as to whether High Alumina Cement has been incorporated in the construction of any of the properties. Should it be confirmed that it has been used, we should wish to re-value the property in question, since such a discovery would have valuation, marketability and legal implications.
7. Subject to the foregoing remarks, we are of the opinion that the aggregate value of the interests held by Estates House Ltd., in the various properties is:—

56 Gresham Street, London, E.C.2	Nil
66 Gresham Street, London, E.C.2	£1,900,000
3/5 Norwich Street, London, E.C.4	£750,000
27/29 Furnival Street, London, E.C.4	£155,000
5 Queen Street, London, E.C.4	£100,000
	£2,905,000

(Two million, nine hundred and five thousand pounds.)

Yours faithfully,

Jones, Lang, Wootton — Dron & Wright

SCHEDULE OF TENURE AND TENANCIES

Description and tenure	Terms of tenants Leases and Underleases	Estimated net annual current rental before tax £	Present capital value in existing state £
Property			
1. 56 Gresham Street, E.C.2. Offices having approximately 2,800 square feet of floor space on fourth, fifth and sixth floors. Leasehold. 28½ years unexpired at annual rent of £7,382. Built about 1937.	Occupied by two associated companies on an informal basis. Each pays an apportioned part of outgoings including rent.	Nil	Nil (See note below)
2. 66 Gresham Street, E.C.2. Wine bar and shop with approximately 13,500 square feet of office space on ground and seven upper floors. Freehold. Built about 1917.	Wine bar, shop and offices on the ground, first, second and seventh floors are each let on separate leases expiring between 1981 and 1982. These generally provide for the lessees to maintain the interior and pay a service charge for heating, insurance, …	140,000	1,900,000

ESTATES HOUSE INVESTMENT TRUST LIMITED — *continued*

With the exception of $250,000 8 per cent. Debenture Bonds due 1987 of FL & M owned by Australian Estates, the whole of the issued loan capital of FL & M and GL & M is owned by the New Trust. The Bonds, which are unsecured, were subscribed some years ago by certain of the quoted Scheme Companies. SADA holds none of the Bonds of either company. The terms of the Bonds provide that interest shall be payable exclusively out of net profits (if any), but shall be cumulative and shall be payable when and as net profits are available and at maturity or prior redemption whether or not there are net profits available. No interest has ever been paid on the Bonds and the accrued interest at 31st December, 1974 was $2,224,582 in the case of FL & M and $130,083 in the case of GL & M.

FL & M and GL & M have advanced by way of loan substantially all the finance required by certain associated companies for their property investments in Florida (see Note 2 below). FL & M and GL & M, however, have minority equity interests in these companies.

Net tangible assets

The following is a summary of the pro-forma net tangible assets of FL & M and GL & M based on their audited accounts at 31st December, 1974 —

	Notes	FL & M $'000	FL & M $'000	GL & M $'000	GL & M $'000
Assets					
Property			—		[illegible]
Amounts due from the liquidation of associated companies	1		1,908		80
Loans receivable from associated companies					
Associated companies in Florida, including accrued interest less provision	2	7,111		293	
Compania Bananera de Guapiles		101		—	
			7,212		293
Equity interests in associated companies	2		368		—
Other assets			123		4
			9,611		433
Liabilities					
Bank loan	3		2,675		—
Amounts due to associated companies in liquidation	3		3,395		—
Debenture Bonds		2,655		168	
Accrued interest		2,324		130	
			4,978		298
Other liabilities			36		10
			11,085		308
Surplus (Deficit) for stockholders			(1,474)		125
Preferred Stock			(201)		(144)
(Deficit) for Common stockholders			(1,675)		(19)

Notes

1. Certain of the companies associated with FL & M and GL & M have sold the whole of their property assets and are now in liquidation. In some cases partial distributions have been made.

Six of these companies had in aggregate a surplus for stockholders at 31st December, 1974 totalling $7,6[illegible]3,000 in which FL & M has approximately a 25 per cent. interest, i.e. $1,908,000. A further company had a surplus for stockholders of $311,000 at 31st December, 1974 in which GL & M had a 19 per cent. interest (i.e. $5[illegible]).

2. (a) FL & M has made loans to the companies mentioned below on the security of charges [illegible] for the bank loan to FL & M (see Note 3). The amounts advanced and FL & M's interests in these companies at 31st December, 1974 were —

	Loan advanced by FL & M $'000	Common Stock owned by FL & M %	Net tangible assets (deficiency) for Common Stockholders $'000	Equity interest of FL & M $'000
[illegible] Land & Timber Corp / [illegible] Groves & Timber Corp / Mid Florida Groves & Timber Corp / Mid Florida Land & Timber Corp	[illegible]	10	(1,092)	Nil
Stuart St. Lucie Estates Inc	[illegible]	10	657	66
Jupiter Hills Beach Corporation	[illegible]	20.8	1,451	[illegible]
	7,064		1,016	365
Add Accrued interest	1,138			
	[illegible]			
Less provision for estimated shortfall on realisation of properties at appraised value	[illegible]			
	7,111			

The net tangible assets for the above companies include their property assets at an appraised value. [illegible] Land & Timber Corp, [illegible] Groves & Timber Corp, Mid Florida Groves & Timber Corp and Mid Florida Land & Timber Corp hold adjoining properties which have been valued [illegible].

(b) FL & M has made advances of $676,000 to Compania Bananera de Guapiles (Guapiles) which used to operate a banana farm in Costa Rica. Neither FL & M nor the New Trust has an equity interest in Guapiles. The assets of Guapiles were sold during 1974 and it is expected that only 15 per cent. of the loan will be recovered (i.e. $101,000).

(c) GL & M has made a loan on the security of a mortgage to Stuart St. Lucie Estates Inc. The amount outstanding at 31st December, 1974 was $245,000 with accrued interest of $48,000.

3. (a) The principal of the bank loan and interest thereon are secured on the property of FL & M [illegible]

[illegible]

Section IV: Articles of Association

[illegible]

Section V: Debenture Stocks

[illegible]

Section VI: General

[illegible]

هكذا من الآجل

LABOUR NEWS

NUM Left to launch campaign against £6 limit

BY JOHN WYLES, LABOUR REPORTER

LEFT-WING LEADERS of the National Union of Mineworkers will launch a campaign this week aimed at persuading miners to vote in next month's coalfield ballot against the union executive's recommendation to support the Government's anti-inflation policy.

Mr. Arthur Scargill, militant president of 65,000 Yorkshire miners, has called a special meeting of his area leaders to-morrow to discuss the decision taken by the NUM's national executive last week.

He is virtually certain to urge a local battle against the £6 pay policy and this lead, if endorsed, is likely to be followed by similar Left-wing moves in the Scottish and South Wales coalfields.

The forthcoming ballot is being seen as a miners' referendum on Government policy, but militant leaders like Mr. Scargill and Mr. Mick McGahey, the NUM's Communist vice-president, are also likely to make it a test of their authority in their own particular bailiwicks, despite the fact that miners' traditional loyalties to their national executive and to the Labour Party are likely to produce a vote in favour of Government policy.

Miners will be asked to mark on the ballot forms whether they are in favour of the executive's recommendation to support "the TUC general council and the Labour Government's efforts to beat inflation."

Because of holiday periods, voting will take place at different times in the various coalfields, but all ballots must be completed by August 22 ready for counting by the Electoral Reform Society after August 26 with the result being declared in time for the annual TUC Congress in the first week of September.

Members of the NUM executive are supposed to be bound by its majority decisions but Left-wingers are trying to skirt this by calling meetings of their area councils to appeal for opposition to the executive line.

Mr. Scargill will claim that he is free to campaign for a "no" vote if his area council adopts this stand to-morrow and militants in Scotland and Yorkshire will seek similar freedoms through their area councils in the second week of August.

They argue that moderate areas have similarly breached union rules in the past and that the reccommendation on the ballot form flouts the NUM's recent conference decision to seek a £100 a week wage for faceworkers since a "yes" vote will mean acceptance of the £6 ceiling on pay rises.

Underlining this, Mr. Scargill said yesterday that "miners were disturbed that "we could have a conference decision on wages and an executive decision which apparently contravenes the conference decision."

GLC chief: 'I'll waive £4,000 rise

MR. JAMES SWAFFIELD, director-general of the Greater London Council, said yesterday that he was ready to give up the controversial £4,000-a-year pay rise awarded him by a GLC committee.

Mr. Swaffield's pay rise—the same 23 per cent. as awarded to other senior local council staff—would have put him on £22,000 a year. News of the award, which *came after publication of the* White Paper on inflation, attracted much publicity, and some controversy within the GLC itself.

In a letter to the GLC council chairman, Mr. Swaffield says that since the second stage of a pay award to higher civil servants, due on January 1, will be delayed, he is ready to forgo his present award and instead to have his pay linked to that of senior civil servants.

Defending the rise, he says: "The amount of the award which you and your colleagues have made is not of my choosing (or *indeed of yours*) but represents an arithmetical updating in pursuance of the social contract of an earlier evaluation of the job I am employed to do."

Other senior officers, due for rises of about £2,400, should not be expected to make the same gesture because of the differential problems that would create and because of their need to preserve pensionable earnings, Mr. Swaffield argues.

Firemen in Glasgow plan strike ballot

BY CHRIS BAUR, SCOTTISH CORRESPONDENT

REPRESENATIVES of about 2,500 West of Scotland firemen yesterday defied the instructions of the Fire Brigade Union and voted by a large majority to hold a strike ballot next month in support of a pay claim.

The vote is a victory for the nine militant local shop stewards who were last week expelled from the union by the FBU's national executive for pressing for a strike ballot despite the decision against such a move by the union's recent special conference in Blackpool.

The men are seeking a pay rise of between £7 and £12 a week, and are complaining that employers are refusing to implement last year's agreement to make extra payments for additional fire prevention duties.

More than 70 delegates representing the firement from Scotland's largest local authority region, Strathclyde, rejected advice from a national executive member, Mr. William Miller, that the national conference decision against a pay strike ballot was binding. He said an attempt to hold a ballot now would be ruled out of order.

Delegates called on the FBU executive to reconsider the expulsion of the nine rebel shop stewards as soon as possible—and then went into an unofficial meeting with the stewards where they decided by a two to one majority to arrange for a strike ballot on August 4.

Union president, Mr. Enoch Humphries, said: "If there is a strike ballot it will not be under the auspices of the union. Any*one involved risks expulsion.*"

The Strathclyde decision contradicts that of delegates representing Scotland's remaining 2,000 firemen. They decided in Edinburgh at the week-end to accept the EBU policy, and made it clear that the Strathclyde men would be isolated in seeking strike action.

The Strathclyde region's brigade operates about 100 fire stations, including Glasgow, where troops had to be used in October 1973, to give the city fire cover during a two-week unofficial stoppage by firemen.

Jute workers accept £6

By Our Labour Staff

A £6-A-WEEK pay rise in line with the anti-inflation guidelines has meant a 23.5 per cent. increase for a group of Scottish workers.

This is the effect of a settlement for 6,000 textile workers in the Scottish jute industry which raises the minimum rate to £31.10 a week. It illustrates the point that the £6 flat rate can represent a considerable advance for low-paid workers if they are successful in negotiating to the limit allowed.

In terms of earnings—which can range up to £50 or £60 a week when the industry is not in recession — the settlement may be worth up to 40 per cent. because of its spin-off for overtime and shift premia.

The minimum rate increases from September 3 by a total of 32.3 per cent. over last year's level. Last year's £23.50 rate was supplemented by £1.60 of threshold money, and now by the £6.

The agreement involved Dundee area members of the Association of Jute Spinners and *Manufacturers, the UNIC of* Jute, Flax and Kindred Textile Operatives and the National Union of Dyers, Bleachers and Textile Workers.

There will be equal pay for women and full adult rate for 18 year-olds from the same date.

Pickets out at Manchester showground

INDUSTRIAL ACTION, which could disrupt this week's three-day Manchester Show was taken yesterday by 80 Corporation supervisory parks staff in a dispute over job restructuring.

The men, members of the National Union of Public Employees, picketed the city's Platt Fields and urged exhibitors, arriving to set up stands, to turn back.

BMA warns Mrs. Castle of emigration

DOCTORS' leaders told Mrs. Barbara Castle, Social Services Secretary, yesterday that the anti-inflation policy could result in more doctors emigrating.

A delegation from the British Medical Association said it supported the attack on inflation but was very concerned at the brake on health expenditure and the "arbitrary" ceiling for pay rises of £8,500 a year, which covered most doctors.

1,000 out at GKN plant over 'too late' pay deal

BY PETER CARTWRIGHT

ABOUT 1,000 GKN workers have gone on strike protesting that their employer has withdrawn a proposed pay rise because it was not agreed until the day of the Government's White Paper.

A cost of living linked pay offer of 20 per cent. was accepted by GKN forge workers at Darlaston (Staffs.). But colleagues at Bromsgrove are getting a rise outside the pay limit because they accepted 24 hours earlier.

The effect of the pay guillotine has so incensed the Darlaston workers that they have gone on strike, although they begin their annual holidays at the end of this week. Bromsgrove employees are already on holiday.

For some time GKN has been trying to move the October annual pay review date of Darlaston to July 1, the date at Bromsgrove, where 2,000 are employed.

Bromsgrove accepted a 25 per cent. increase, the estimated increase in the cost of living over the year, on July 10. A nine-month offer to take the Darlaston workers from October to July 1976 was accepted the following day—just too late.

The White Paper expressly forbids a company paying in excess of £6 a week—the GKN offer is about £8—to recover any part of it through increased prices. GKN said last night: "It is clear that any pay settlement in excess of £6 a week will be severely penalised and would be against the spirit of Government policy, which we support."

Darlaston is a major supplier of forgings to the commercial vehicle industry, and a prolonged stoppage could affect most of the big truck makers.

Film union's tax warning

BY MICHAEL THOMPSON-NOEL

BRITAIN'S largest film union yesterday warned of a "ruinous" loss of work and further closures unless new taxes on foreign film makers in Britain are postponed or abolished.

Mr. Alan Sapper, general secretary of the Association of Cinematograph, Television and Allied Technicians, has written to over 600 MPs asking them to press the Treasury to reconsider plans to tax foreign film-makers on 75 per cent. of the world earnings from April, 1976, instead of 50 per cent.

Says, Mr. Sapper: "Such a very great increase in their tax payments would cause them to move out of the U.K. or, at the very least, to make their films outside the U.K. In either case, the resultant loss of production financing in Britain would surely be a crippling blow to an already very shaky British film industry."

The letter points out that 90 per cent. of the financing of British-made feature films comes from U.S. sources—much of it specifically for the work done by a relatively small number of American writers, directors and producers who live and work here.

At present, says Mr. Sapper, they pay U.K. tax on 50 per cent. of their world-wide earnings for work accomplished in Britain which approximates to the tax rate they would be paying the U.S. Government if they were working in the U.S.

UCATT re-elects secretary

Mr. George Smith has been re-elected virtually unopposed for a final term before retirement as general secretary of the Union of Construction, Allied Trades and Technicians. He will have been general secretary for 20 years.

Challenge to TUC demarcations

BY OUR LABOUR REPORTER

A DETERMCINED challenge to the legal status of the TUC's inter-union disputes procedure will be made in the High Court to-morrow with a bid to overturn a TUC order to sever the merger between the Association of Professional, Executive, Clerical and Computer Staffs and the Staff Association at General Accident.

The chairman of the staff association, Mr. Charles Rothwell, is seeking an injunction to prevent APEX from falling in line with the TUC ruling.

The veto on the link-up with APEX was given after a TUC disputes committee had examined a complaint from Mr. Clive Jenkins' Association of Scientific Technical and Managerial Staffs that the merger was a breach of the TUC's Bridlington principles which are designed to avoid inter-union poaching rows.

ASTMS has had a membership at General Accident for many years but has failed both in moves to win recognition from the company and to court the staff association into a merger. But APEX, without any previous membership at the company, stepped in last year to negotiate a link-up with the staff association.

At to-morrow's High Court hearing Mr. Rothwell will ask for an injunction against any APEX moves against the merger pending a full hearing on the dispute. The TUC will be represented at the hearing following a legal move by APEX designed to share responsibility for any damages which may eventually ensue should, for example, the TUC stick by its ruling despite a court decision that it is invalid.

The case is significant both for the legal status of the TUC's procedure as well as for whether a union merger can be regarded as membership poaching under the TUC's inter-union rules.

BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● CIVIL ENGINEERING

All quiet on the oil rigs

TOTAL NOISE control services are being extended by ICI Acoustics from land-based environments to the offshore industry where noise is proving a serious problem.

The company is offering offshore managers and production unit designers a service starting at design consultancy and covering acoustic hardware tailored to meet the application.

Wherever people are likely to be exposed to dangerously high levels of sound, noise control becomes an important part of engineering. On offshore platforms, for comfort alone there is a need for noise control, and there are acceptable levels for working, talking, recreation and sleeping.

Hardware packages supplied as a matter of routine include diesel generation plant enclosure and silencers, modular enclosures for pumps and compressors, silencers for gas venting and valves, panel walls and ceilings for noise area partition.

One particular example which can usefully be applied to the offshore industry because of its lightweight plastic construction and ease of use is a duct silencer of the type used in a gas turbine inlet or diesel pump/generator to silence a high volume air movement to a machine.

Salt and moisture

Because of the salt and moisture content encountered, the silencer is constructed in pvc and glass reinforced plastic. The shell is fabricated in 3.2 mm pvc, flanges backed with steel and external pvc box section stiffeners welded in place. The whole external surface is overlaid with three glass fibre layers using a marine resin to an overall thickness of 7 mm. The internals are fabricated throughout in pvc mounted on a base which allows the splitters to be demounted from the silencer shell.

Splitter elements are contained in an inert mineral wool encased in moisture proof polythene and it is this configuration which provides the sound attenuation, while allowing air movement through the airways.

ICI Acoustics, Rosanne House, Bridge Road, Welwyn Garden City, Herts. Welwyn Garden (96) 23400.

Pebble dash makes walls waterproof

TO IMPROVE weather resistance, and for renovation and decoration of exterior house walls, Megafoam, Morley Road, Tonbridge, Kent TN9 1RA (07322 67022), a company carrying out cavity wall insulation, has introduced Megarock, a resin-based pebble dash wall finish.

The company says that while the finish is water resistant, it is not impervious to water vapour, so that moisture in the walls and in the internal atmosphere of the house can escape. It can be applied to almost any walling material, including bricks, metal, wood, glass or concrete.

Application is in three stages. First the base resin is sprayed on about 5 mm thick. The base consists of a conglomerate of vinyl (for flexibility and adhesion), acrylic (for u.v. resistance) and polyester (for strength). On to this is sprayed a natural stone aggregate (screened to 5-8 mm)—there is a choice of base and aggregate colours. After the finish has cured for ten to 14 days, it is sprayed with a vinyl based sealing coat. The resins are made by Maplex S.A., Spain.

Completed thickness is about 10 mm, and the finish weighs some 7 or 8 kg/sq. metre (much less than traditional cement based pebble dash), imposing almost no structural strain on the bearing surface.

Price is about £5.50 to £6.50/sq. metre—that is, for an average three-bedroomed semi-detached house of about 90 to 100 sq. metre wall area the cost would be in the region of £600. A 25-year guarantee is given provided a second sealing coat is applied after about ten years. The company says it is seeking Agrément Board approval.

Conference on dredging

FIRST international conference on dredging technology organised by BHRA Fluid Engineering is to be held from September 17 to 19 at the University of Kent, Canterbury.

Authors from nine countries will present practical and theoretical papers on the importance of dredging in many industries. For example, a stationary dredge is used to keep open the intakes to the thermo-electric power station at Rosarito, Mexico, and details of its operation will be described. A number of papers will analyse the physical mechanisms which influence the performance of dredge lines.

Economics of dredging sand and gravel for aggregate will be discussed in a case study from the U.S. Using standard accountancy techniques the author finds that a tug/barge/dredger combination has a higher rate of return than the traditional system.

Details from BHRA, Cranfield, Bedford (0234 750422).

Anchors put in easily

CHEMICAL anchor material by a Netherlands company is particularly easy to apply. It consists of a glass capsule containing a two-component resin.

For use, after the anchor hole is drilled, the capsule is inserted and the thread casing or anchor rod placed in the hole. Using a rotary hammer at slow speed, the anchoring device is rotated in the hole so that the capsule is crushed and the components of the resin glue very throughly mixed.

Because of this intimate mixing and extremely good adhesion to the surface of the bolt and the cavity by the glue, the result is an extremely firm anchorage with no lateral pressures and no stresses.

The capsules are intended to cope with anchor rods from 8 mm diameter upwards.

Bolidt Elementenbouw, Edisonweg 14, Alblasserdam, The Netherlands.

● POLLUTION

Jam factory effluent check

ANY ACTION which may be necessary to improve the quality of the effluent flowing into Cambridge sewers from the Histon factory where Chivers and Hartley jams and jellies are made will be reported to the Foods Group of Cadbury Schweppes.

At the request of the Anglian Water Authority (responsible for the sewers) the company is examining what may be done to improve the effluent, and has appointed John H. Haiste and Partners consultant engineers, in conjunction with consultant chemists, Bostock-Hill and Rigby, to undertake a sampling programme and series of analyses of the effluent related to time and flow.

Incubator keeps out the air

INTENDED FOR culture growth and other applications where ordinary air is undesirable is a carbon dioxide incubator from Grant Instruments Barrington, Cambridge CB2 5QZ (0763 60811).

Working chamber dimensions are 630 x 470 x 470 mm and the enclosure has 55 mm of glass fibre insulation. Construction is in stainless steel, including three smooth-running shelves which can be placed in any of nine positions at 45 mm intervals. A magnetic door seal is fitted to the outer insulated door while the inner glass door has a foamed neoprene seal and simple mechanical latch.

Control is to within ±0.25 deg C by all-electronic thermistor system and there is an independent safety cut-out which will limit the rise to 2 deg C in the event of control failure.

Horizontal airflow gives uniform temperature in addition to keeping the relative humidity to 95-98 per cent.

A purge control introduces pure carbon dioxide into the chamber for a period set on a timer when the door is opened. When required, the temperature can be raised to over 90 deg C for a pre-determined period for sterilisation.

● MATERIALS

Adhesive for metal foils

TIVOLI KAY has developed a hot melt laminating adhesive with fire retardant characteristics. Known as 2AP19/5, it is a general-purpose adhesive with an application temperature range from 130 to 200 deg C with a viscosity of 12800 C.P.S. at 160 deg C.

It is used mainly for laminating metal foils to fire retardant paper, glass fibre and woven asbestos in the manufacture of insulation materials.

The material is 100 per cent solid and solvent free. High coating speeds can be attained as the speed is no longer governed by the evaporation rate of the solvents.

As the bonds can be effected immediately, the adhesive does not penetrate the substrates to the same degree as solvent or water-based adhesives, therefore lower coating weights are possible.

The maker is at PO Box 22, Harvey Street, Bury, Lancs, BL8 1NR. (061 761 4411.)

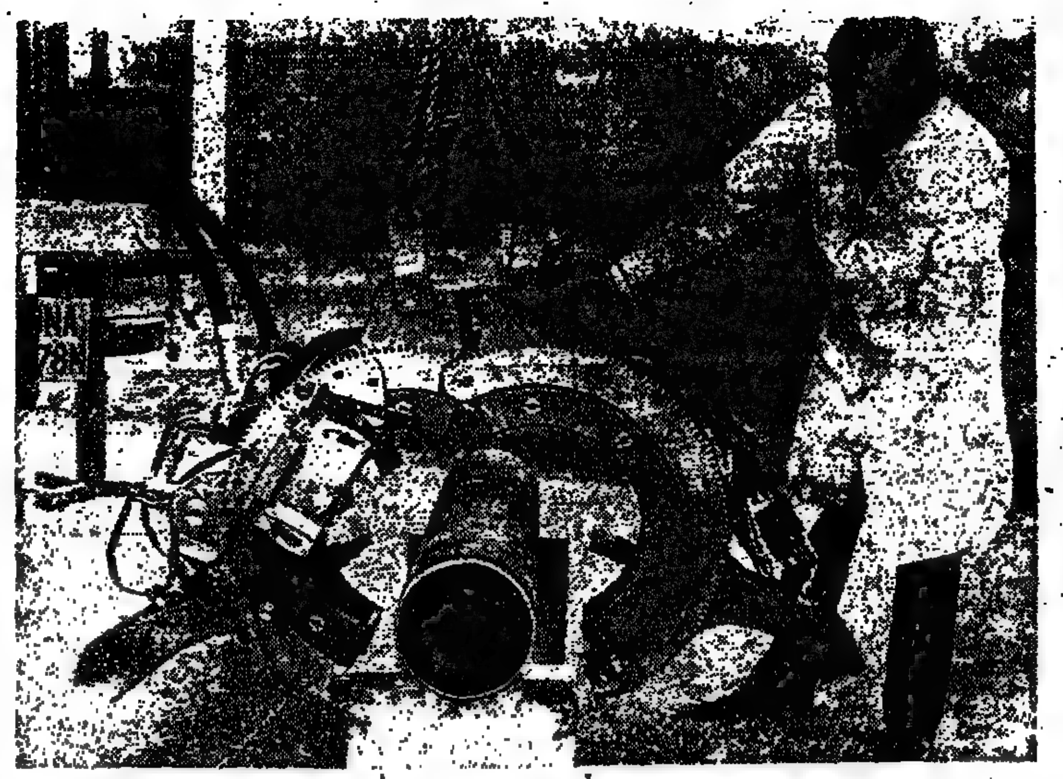
Safe to use in enclosed areas

INTERIORS OF tanks and other equipment where there is little fresh air can be safely surface coated with an anti-corrosive epoxy resin which is water-soluble and therefore does not produce dangerous fumes.

Adhesion to steel is said to be 900 psi, and the coating dries with a hard, glossy finish resistant to a variety of corrosive liquids. A two-pack product, the water element is contained in the solidifier which is added to the base resin.

A film thickness of 0.002 to 0.005in. will be hard dry in 24 to 36 hours at ambient temperatures, but coatings can be force dried in 1 to 2 hours if heated to 40 deg. C and above, giving a hard water-resistant film ready for overcoating in 3-4 hours.

The maker recommends application by 12in. mohair roller, rather than spray—coverage varies from 35 to 55 sq. metre/5 litres, at a cost of about 18p/sq. metre. The resin is made by Lamacrest, Crown Works, Cold Bath Road, Harrogate, Yorks. (0423 66656.)



The Dunlop Porta-Cutta for cold cutting and bevelling in one operation pipes from 2 to 60-inch diameter. Manufactured and marketed under licence in the U.K. and Europe by Dunlop Plant and Equipment Division, it gives a good bevel finish, simply, and on any location for example in-line, under water or in the factory.

● SECURITY

Reveals the visitor's identity

A CLOSED circuit television system arranged for private or commercial use in identifying callers has been put on the market by Telelock of 44, Heathland Road, London N16 5PQ (01-800 4404).

At the entrance to the premises the visitor pushes the appropriate bell push (there are up to ten for flats etc.), the entrance is fully illuminated and a camera behind the 660 x 265 mm front plate is switched on and a picture sent to the corresponding flat or office.

Inside the building each station consists of a screen plus telephone unit. Depression of the push button at the entrance produces an acoustic signal and after about eight seconds a head and shoulder picture appears on the portrait orientated six-inch crt. screen. The occupant can talk to the caller if desired on the associated telephone, a loud-speaking version of which is available.

If requested the system can be associated with television monitors that would normally carry broadcast programmes; these would be interrupted by callers whose faces would appear on the screen.

Electric lock, magnetic card and a film camera for the permanent recording of all visitors can also be integrated with the television system.

Installation is claimed to be simple using a coaxial cable for video distribution with junction boxes as needed, and standard telephone cable for the 'phone interconnections.

● METALWORKING

Curl for joining metals

IN CANADA a mechanical joint for metals, called the "clench curl," has been developed. It consists basically of extruded or roll formed flanges on the edges of the metal to be joined. The flanges fit into each other and the inner (male) flange, which has a slight commencing curl, is subsequently formed into a cylindrical shape which locks it within the similarly shaped outer (female) flange.

The locking, or "clenching," is carried out using a press with semi-circular forming grooves into which the flanges are fitted. It is stated that a standard brake press can be used.

The system was developed by Daymond, 2441, Royal Windsor Drive, Clarkson, Ontario L5J 4C7, a wholly-owned subsidiary of Tate and Lyle, which is using the system initially in the fabrication of step and extension ladders.

Used for 6-foot step ladders, it eliminates 24 rivets (and their holes), pressing together the steps and side rails in ten seconds. The company is interested in licensing the ladder making process in countries other than Canada, and "clench curl" for other applications both in Canada and elsewhere.

Materials recommended for the process by the company are aluminium or magnesium extrusions, and roll formed mild steel. Physical limits for the process are dictated by the minimum size of curl, and by the thickness of the metal forming the male flange. With aluminium, in a female curl of 0.25 inch diameter, maximum thickness for the male flange is 0.05 inch, says the company.

Accurate dustless tube cutter

FERROUS, non-ferrous and plastics tube with outside diameters from ¼ to 1½ inch can be cut in lengths up to 30 feet by a machine called the Addison 215.

Cut-off tube can normally be used without any secondary deburring or finishing operation and is, for example, suitable for immediate precision mandrel bending and end forming operations.

There is no swarf or dust and the cutters, which can be sharpened 6-7 times, have a long life between regrinds. During prototype trials, one user reported up to 200,000 cuts on aluminium tube between regrinds and 20,000-30,000 cuts on non-ferrous material would be considered an absolute minimum in most cases, says Addison.

Stock infeed is by pinching the tube between two hydraulically driven rubber-faced conveyor belts which advance the material through the cutting head at speeds up to 200 fpm. The cut length is programmed on the control console which features digital read-out and a rotary resolver measures the progress of the tube through the machine and provides data for the control unit to instigate a braking and stopping sequence for the feed unit.

To minimise scrap, it is normal to process tube from coil, either loose or flat wound, and suitable coil holders are available for material up to ⅝-inch diameter. The material is pulled off the coil by the conveyor feeder through a two-plane 12-roll straightening unit.

Material cut-off sequence can take as little as 0.75 secs. from start to finish. By using the coil feeder and straightener output rates are further enhanced.

The machine is available from The Addison Tool (Sales) Company, Westfields Road, London, W3 0RE (01-993 1661).

● LIGHTING

Awards for efficient lighting

OF THE total electricity consumption in the U.K., lighting accounts for about 15 per cent. and, in terms of the nation's total primary energy consumption, the figure becomes 4 per cent.

At first sight the scope for lighting energy conservation seems small—until it is remembered that in balance-of-payments terms the 4 per cent. represents about £300m. per year at present oil import prices.

The Lighting Industry Federation is therefore at some pains to emphasise whenever it can the need for improved efficiency in lighting. As it has pointed out before, the problem goes beyond simply "switching something off." For each installation detailed consideration has to be given to required illumination values, choice of source, designs of fittings, mounting height, localised versus general lighting, cost and ease of maintenance, and associated wall decoration.

In an attempt to make managers think more thoroughly about the problem the Federation has launched, in co-operation with the Department of Energy, an award scheme, with which trophies will be associated.

The awards will be made "to those who demonstrate the most significant improvement in the efficient use of electrical energy while achieving or maintaining standards of the Illuminating Engineering Society"

Details of the scheme have already been circulated to over 1,000 trade associations, including entry forms and rules, literature and advice sources.

According to the Federation, the financial savings that can be made are still not well appreciated, and a file of case histories is being built up. In one instance a foundry in Sheffield which was using some 86 pairs of 400-W mercury vapour and 500-W tungsten lamps replaced the lot with 360-W high-pressure sodium units: the lighting level went up by 31 per cent. and the company saved a rather surprising £2,800 per anunm.

More from the Lighting Industry Federation, 25, Bedford Square, London WC1B 3HH (01-636 0766).

● DATA PROCESSING

Weather service by CDC

EUROPEAN Centre for Medium Range Weather Forecasts is charged with the task, among others, of providing weather forecasts for from 4 to 10 days ahead when it is installed in its new building at Shinfield Park, near Reading, which is expected to be completed early in 1978.

The task will involve very large scale computations calling for a 50 million instructions per second computer and a communications system with the nations which signed the Convention establishing ECMWF.

The Centre is in temporary accommodation at Bracknell and has made provision for computing facilities up to the time that it will install its own computer complex at Shinfield Park, in order to carry out the initial research and development which are necessary before the operational service can begin. The experimental computations which will be carried out during this period will be based on the integration of the complex system of equations which govern meteorological motions and the computing power needed will be similar to that found in State meteorological services.

The Centre has entered into a three-year agreement with Control Data Ltd. who will install a CDC 6600 computer in Bracknell close to the Centre's temporary accommodation. This system will have 131K words of magnetic core storage, two disc storage units and two magnetic tape transports in addition to input-output devices. These facilities will be ready in July 1975 and ECMWF expects to increase its use of them from an initial 40 hours per week to 110 hours per week in 1977.

ECMWF has also entered into an agreement with the U.K. Meteorological Office to use the powerful meteorological computing complex which is a multiprocessor system based on the IBM 360/195 and 370/158, during the same period, for its very large-scale computations.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

The Executive's World

EDITED BY JAMES ENSOR

Invest now for the boom, advises Michael Edwardes of Chloride, 'Young Businessman of the Year' and NEB executive, who tells **James Ensor**

How Chloride trebled its earnings

Mr. Michael Edwardes: Chloride has invested heavily in North America — Trevor Humphries

"OUR ABILITY to reconcile attitudes of philosophy with planning has contributed in no small way to the company's subsequent increase in profit and strength. The changing of attitudes was a central issue: planning without the right philosophy would have achieved little."

Mr. Michael Edwardes, speaking to the Society of Business Economists at King's College, Cambridge, neatly encapsulated the thinking which has helped Chloride to increase turnover two and a half times and treble pre-tax profits in the past four years. It is an impressive record and one which led to his election as "Young Businessman of the Year" and to the National Enterprise Board organising committee.

Mr. Edwardes likes to compare Chloride's situation four years ago with that of the British economy as a whole. The company had developed as a licensee of the American company ESB and management had developed something of a cartel mentality both with the Americans and with Varta, the German company which is the dominant Continental producer.

Production of automotive and industrial batteries was split on a geographical basis between Swinton in the North and Dagenham in the South; so that there was little direct relationship between managers and profits.

The remedy sounds simple. In Mr. Edwardes' own words: "We disposed of the group's peripheral activities and, most important of all, we spent a great deal of time encouraging people to change attitudes from top to bottom . . . attitudes to profit margins, investment, growth, and involvement with people."

The first attack was made at the key Manchester plant, where the largest company in the group was split into four units, each with a managing director and a five-man executive Board. Altogether, 200 managers were redeployed, with 18 recruited from successful group companies in the U.K. and abroad and only one made redundant. At each level of management, executives were set profit improvement targets and encouraged to risk losing business gained at marginal prices in order to achieve acceptable margins.

The results were startling. In place of the £1m. profit on £30m. turnover achieved by the single operating company, the new quartet returned £5m., with roughly the same sales. This encouraged Mr. Edwardes to perform the same split at group level. Chloride was broken into product divisions, covering automotive, industrial, plastics, and metals, and systems (for stand-by power), which was added a little later. Companies operating in compressors, aerospace, and artificial leather were sold—a barrier cream company had already been disposed of—so that managers could concentrate their time on the central business.

By the end of 1971, with a thorough reshuffling of British management completed, Chloride embarked on a similar programme with its overseas interests. In some cases this involved managers moving to new jobs every year for three or four years in succession. But by August of 1974 Mr. Edwardes had tidied up the Chloride organisation on a geographical basis, with Europe (including Britain), North America and Overseas (Australia, Africa and Asia) forming separate units. These in turn were divided on product lines and by individual countries.

Each unit was regarded as an autonomous profit centre and encouraged to develop its own views. As Mr. Edwardes says "Each develops its own plan, which must be compatible with the Group strategy and resources, but can be quite individualistic in style. As with the top team, differences in points of view are actively encouraged at each profit centre and are debated openly and logically."

At the same time Mr. Edwardes resolved to concentrate Chloride's efforts on its existing expertise, avoiding any glamorous diversification into leisure equipment or other forms of power. As he argues "We are determined not to diversify into areas we know nothing about, whether or not they look financially attractive—there is plenty of scope in those areas where we have skill and knowledge."

There was little opportunity for growth in Britain, since Chloride dominates the industrial market and shares the bulk of the automotive business with Lucas. So expansion necessitated an aggressive take-over strategy overseas—a difficult and dangerous game.

Chloride set up an Investment Panel to vet all capital projects in excess of £100,000, which examines in great detail the technical and financial factors involved, through a special Validation Group. Chloride International, a small group of "chartered accountants and entrepreneurs with a heavy entrepreneurial outlook" was set up to examine and suggest possible targets.

Chloride has made a series of acquisitions in the past four years, all in companies closely related with the battery business. Some, such as Connrex, the seventh largest U.S. battery maker with a £33m. turnover, have been quite large concerns. Others particularly on the Continent were bought to give Chloride distribution resources in countries where it was poorly represented. Some 20 companies were bought as a result of a huge Search Programme which encompassed 1,000 potential buys.

As a result, by 1974, half of Chloride's profits and sales were earned overseas, exactly but fortuitously coinciding with the plan laid down by the Board. The company now has a much better diversified base, both geographically and by product, with a number of subsidiaries building systems such as fire and intruder alarms, which use the battery as a component complementing the battery companies.

The exhaustive screening methods which Chloride established to vet acquisitions seems to have worked well, so far. At least, Mr. Edwardes has full confidence in it for he says: "We have never regretted a take-over."

The group has also stepped up its direct investment substantially, doubling spending between 1972 and 1974 to £10½m. In 1975, despite the obvious recession in the demand for car and fork lift truck batteries, Chloride will spend £12½m. A major new industrial battery plant is being built at Bolton, which will increase U.K. capacity by 50 per cent. when it opens in 1978. And Mr. Edwardes is adamant that expansion will continue, despite the short-term outlook. "It is vital," he says, "that we should invest in advance of the next upturn" and he adds that counter-cyclical investment gives better availability of contractors, supplies and site labour as well as giving a good boost to morale.

Equally Mr. Edwardes takes the view, on simple humanitarian grounds, that the shedding of labour, which all companies have to do from time to time, should be undertaken during economic upsurges. At this time, employees have a much better chance of finding another job and changes are likely to be much more acceptable to the unions concerned.

The battery business may be far from glamorous, at least while it relies on the century-old lead acid technology. But Mr. Edwardes and Chloride's managing director for Europe, Mr. John Ray are convinced that it has excellent growth prospects. "Legislation is forcing the indoor use of electric power—there has been a big swing in Scandinavia and fast growth in the States." Mr. Ray also points out that three out of every ten automotive batteries in the U.S., now goes to a leisure product, from outboard motors to lawn mowers and snow mobiles.

A breakthrough in the high temperature, complex technology of the sodium-sulphur battery, however, could change the shape of the battery industry and thus of Chloride, very rapidly. Mr. Edwardes admits that a real breakthrough would require so many resources that "no single company could handle it." But he adds: "We could be successful in what the world would see as a minor event. An order for 100 buses or 4,000 vans would be big business.

In June, last year, Chloride set up a joint venture with the electricity Council to develop commercial sodium sulphur batteries. Chloride Silent Power was formed to share the high costs of research and development on what is, by transport standards, very sophisticated technology. Chloride alone is now investing £1m. a year in motive power battery research and Silent Power is expected to spend £2m. over a four-year period.

Mr. Edwardes has centralised and co-ordinated Chloride research effort in a separate subsidiary Chloride Technical, on whose Board sit the key general managers of product divisions. One of the Chloride Technical directors in turn sits on the main Board and advises on the regular reviews of Chloride's likely shape in the Eighties. Edwardes himself is convinced that the shape of the company by then "will be influenced by the sodium-sulphur battery or something like it."

A South African by birth, Mr. Edwardes is assisted by a management team which includes American and Australian representatives. "We recruit managers from all over the globe and the cross-fertilisation has made a big contribution to our success."

In the past four years, Mr. Edwardes has shown what encouragement and motivation accompanied by an outward-looking world view can achieve, in a company which was regarded as far from dynamic. He is convinced that the same approach could benefit the British economy in general. Perhaps in his role at the National Enterprise Board he will be able to disseminate the gospel more widely.

Ken Gooding reports on a plan to stabilise the machine tool industry

Stopping the cycle

FOR MANY years the U.K. machine tool industry has been putting forward the idea that the Government should implement a scheme aimed at countering the effects of the demand cycle. The industry knew instinctively it was among the major sufferers from the cycle which creates an uneasy workforce, saps competitiveness overseas, encourages imports and cuts cash flow as often as two years in every five.

In the current atmosphere, with the industry seeing its workload disappearing at an alarmingly fast rate and the prospect of another disastrous recession staring it in the face, the machine tool makers have once again made a counter-cyclical scheme one of their top priorities.

However, it has proved particularly difficult to convince Governments and their advisers that such a scheme is absolutely essential if the industry is to survive in anything like its present form for much longer.

The assistance scheme recently put forward by the Department of Industry and currently under discussion in the industry is still on the "secret" list. But it seems it involves the idea of financial assistance for particular projects so that gaps in the U.K. industry's product range can be filled.

In these circumstances it seems that the industry's best bet is to come up with a counter-cyclical policy which involves the minimum of Government assistance. And, as it happens, the outline of such a scheme is being circulated at the moment.

Plan

It has been devised by Derek Hartle, chairman and chief executive of Hartle Machinery International (the former Edward G. Herbert group) who prefers to describe it as "a plan for the stabilisation of the machine tool industry."

And stabilisation is certainly something the industry could do with. A recent "Little Neddy" report showed that the standard deviations from "normal" in U.K. demand for machine tools over a 14-year period was 24½ per cent.

As a result falls in employment in the industry during a recession has been as high as 33 per cent., accompanied by a severe decline in the intake of young people. It proved impossible to get back many of the skilled employees when they were needed as the cycle started on the upward curve. Those who remained in the industry worried about their future prospects and, naturally, a good many of them looked elsewhere for employment when the opportunities arose.

Mr. Hartle, who has 20 years' experience in the industry, has suggested that machine tool manufacturers could even out production if they set up a purchasing and selling agency which he would call "The British Machine Tool Stabilisation Unit."

The unit would buy and stock the excess production of the industry — or at least of those companies joining the scheme — and sell the machine tools back again to the producer when he needed them because of a boom in demand.

Says Mr. Hartle: "If the industry is to survive and satisfactorily fulfil its role, it is essential that it must be able to plan its business with the knowledge that its full output will be taken up constantly during the full cycle."

He estimates, using past figures, that the maximum value of machine tools which would go to the proposed Unit's stock in any one year would be £25m. which is equivalent to 10 per cent. of the industry annual turnover.

But the stock built up by the Unit in the recession phase of the cycle would be readily available when the next boom phase began. And this is just the time when manufacturers are least able to supply the sudden extra demands.

Mr. Hartle argues that this would enable the industry not only to meet the peaks of demand but also offer short delivery times during the boom. In turn this would increase exports and cut down imports with consequent benefits for the balance of payments. It was certainly the failure of the U.K. industry during the last boom period to get anywhere near to fulfilling demand that had a great and adverse impact on the trade balance.

The suggested plan, says Mr. Hartle, would also attract new investment to the industry.

It would allow loss-makers, currently kept on to help keep up production to meet overheads in the depressed part of the cycle, to be eliminated.

Other machine tools which are not profitable to produce at the moment could become so because of the more efficient production the plan would allow.

The scheme would also permit managements to concentrate on long term policies rather than just the short term problems which the cycle inevitably brings with it.

Part of that long term planning might very well achieve the objective the Department of Industry apparently has in mind in that manufacturers would be more able to spot and fill those gaps in the U.K. product range currently filled by imported tools.

Mr. Hartle suggests the Unit should be under the control of a joint council made up of a chairman, three machine tool manufacturers, one representative each from the CBI, the TUC, the Machine Tool Trades Association, the National Economic Development Council, a nominated government department and, depending on the source of finance, from the finance institutions. There would also be two representatives from the Amalgamated Union of Engineering and Foundry Workers.

Well-known

There would also be four executive directors, that is a managing director, a finance director, a commercial and sales director and a technical director.

These men would have to command the respect of those companies taking part in the plan and would obviously have to be well-known industry figures.

It would be up to them to negotiate with individual companies over just how many particular machine tools of a particular type might reasonably be produced — given previous demand patterns and the company's assessment of future demand throughout the trading cycle.

There would be no question, therefore, of the Unit taking on just any old machine that a company cared to produce. In this way it might very well encourage the fairly speedy elimination of those machines without much of a future left.

It would also represent a major influence on new machines being developed because the executives would have to be thoroughly convinced about a machine's potential before agreeing to stock it.

Mr. Hartle insists the Unit should operate as a viable entity and set out to make a reasonable return on its capital. This could be done because it would buy in machines when the market was depressed and prices should be in a similar state and then sell back at the market price during the boom period.

BUSINESS LAW

Retail price maintenance

BY A. H. HERMANN

IN ITS foray into deceitful bargain offers, announced last week, the Fair Trading Office will enter a well-trodden path which leads from prohibition of retail price maintenance to dealing with price "recommendations."

The German Federal Cartel Office is well ahead on this path. Several investigations have exposed the widespread use of extremely high or "moon-price" recomendations by wholesalers to give retailers the facility of making "bargain offers."

While Germany is ahead, the U.S. has been lagging behind. Until recently retail price maintenance agreements were protected from federal antitrust legislation by "Fair Trade Laws" adopted by 35 states. "Fair Trading" does not mean here "fair to the consumer" but rather "fair to retailers" who should be spared the unpleasantness of price competition.

It has come to be recognised that the breaking up of monopolistic companies is still very far off. Thus anti-trusters and consumer protection groups have accepted the need to replace competition eliminated at the producers' level, by competition at the retail level. It is hoped that this will reduce retail margins and generate pressure towards a reduction of factory prices. This course is being taken in the U.S. now. RPM is under attack as an inflationary factor and the repeal of the Fair Trading Laws is seen by President Ford as an election-winning measure.

Some of the states, including New York, have recently repealed their Fair Trading Laws on their own initiative but the majority are waiting for Federal action. The entire system of RPM in the U.S. rests on two Federal Acts, the Miller-Tydings Act of 1937 and the McGuire Act of 1952. These exempted agreements protected by State legislation from the impact of Federal antitrust law.

The repeal of these two Acts has already been approved by the Antitrust Subcommittee of the House of Representatives and is unlikely to meet with much difficulties in the Senate. By the end of this year the U.S. could join the growing number of countries where RPM is prohibited.

Leaders in this field are the Scandinavian countries. For a long time they have relied on competition at the retail level to bring prices down. The reason for this is, of course, that so many of their consumer goods are imported so that their suppliers are out of their jurisdiction. Meanwhile there is a reluctance to treat domestic cartels too harshly if the much less integrated local industry is to be enabled to hold its own against foreign competition.

France (which for similar reasons operates a very soft antitrust policy) allows RPM only for certain luxury goods and new products with high promotion costs. The fixing of minimum prices for such products needs special authorisation which is not normally granted easily and automatically lapses after a fixed time. Even so, such authorised minimum prices are not absolutely rigid since retailers are allowed to grant discounts of between 5 and 10 per cent.

"Fair trading" is not used to describe restrictive price fixing only in the U.S. A very old cartel of European glass container manufacturers bears the proud title of "International Fair Trade Practice Rules Administration." Its seat was until recently in Vaduz, Lichtenstein.

The reason it is no longer allowed is an EEC Commission's ruling of May 1974 making it fair to undercut competitors' prices. In the same year the Commission ordered the Belgian Group of Wallpaper Manufacturers to terminate an agreement establishing, among other restraints of trade, retail price maintenance for their products, enforced by collective boycotts.

In an earlier decision, concerning the Philips German subsidiary, the Commission held that even if allowed by national legislation, RPM is ruled out under the EEC treaty if it affects interstate trade or competition in the Common Market.

Examining British industry

BY GEOFFREY OWEN

THE SLOW GROWTH of the U.K. economy may be one of the reasons why British industries are in general more concentrated than in Germany, France and Italy, according to a new study† on the structure of European industry. "Where expansion is slow there may well be a greater tendency for firms to look towards external expansion by merger or acquisition rather than to internal expansion because of the greater safety which it affords the firm."

The study suggests that the tougher official policy in the U.K. towards restrictive trade agreements may have induced companies to seek other means of reducing competition; the surest method is through mergers. In Germany, France and Italy, by contrast, a stronger tradition of cartelization has continued.

A third possible explanation for the difference in concentration may lie in the differing arrangements for the finance of industry. The important role of the German commercial banks ensures that the common interests of superficially independent companies are pursued; they also provide a meeting ground for the exchange of information. "This type of financial arrangement is likely to place a lower premium on the absolute size of a company as a determinant of the allocation of investment funds, than in the British system in which the stock market and share valuation exert a major influence."

Dealing with the size of plants rather than companies, the study shows that German plants are generally larger and often substantially so in such fields as engineering, metals and vehicles. The U.K. advantage in terms of plant size is found in food, drink, tobacco, wearing apparel, and paper products.

The study points to another disadvantage of slow economic growth, in encouraging the diversification of activities within the plant. Rapidly growing markets, by contrast, will tend to encourage specialisation and so yield benefits of longer production runs.

For some years the U.K. has had the biggest representation in most lists of Europe's largest companies. But the British dominance tends to be concentrated in a few sectors. Food is one example; this may be partly due to the greater concentration of the British retail trade and to the differences in consumption patterns, with stronger emphasis on manufactured or convenience foods in Britain.

The authors also point out that U.K. strength in terms of large firms is biased towards those sectors which have on the whole been least affected by international competitive forces. This applies to many products in food, drink and tobacco, paper and printing, and building materials. The sectors in which U.K. firms tend to be dominant in Western Europe have on the whole a relatively low proportion of exports in total output.

† "The structure of industry in the EEC: an international comparison," by Kenneth D. George and T. S. Ward, Cambridge University Press, price £3.00 hardback, £1.50 paperback.

THE FINANCIAL TIMES
(Established 1888)
Incorporating THE FINANCIAL NEWS
(Established 1884)
Head Office Editorial & Advertisement Offices:
BRACKEN HOUSE, CANNON STREET, LONDON, EC4P 4BY
Telephone Day & Night: 01-248 8000. Telegrams: Finantimo, London
Telex: 886341/2, 883897

Birmingham: George House, George Road 021-454 0922
Dublin: 8 Fitzwilliam Sq. 785321
Edinburgh: 18 Hanover St. .. 031-226 4120
Leeds: Permanent House, The Headrow 0532 454969
Manchester: Queens House, Queen St. 061-834 9381
Paris: 36 Rue du Sentier 236.58.59 (editorial) 236.86.01 (business)
Bonn: Pressehaus 11/104 Heussallee 2-10 222596
Frankfurt: 6 Frankfurt am Main, Im Sachsenlager 13 555730 (editorial) 554667 (business)
Brussels: 39 Rue Ducale 512 9037
Rome: Via della Mercede 55 .... 678 3314
Madrid: Calle Ayala 5, Madrid 1. Tel: 275 4000
Stockholm: Rasbandsgatan 7, 105 17 Stockholm. Tel: 50 60 88
New York: 75 Rockefeller Plaza, NY 10019 Editorial—212 541 4625 Business—212 489 8300
Washington: Second Floor, 1325, E. Street, N.W., Washington D.C. 202 347 8676
Toronto: 285 Ont. 4 Charles St. E. 416 921 5675
Jo'burg: 627 Union Centre East Building, Harrison Street (cnr. Pritchard St.), Johannesburg. 838 7009
Sydney: 164 Sussex Street (Cnr. Liverpool Street), Box 3888 GPO 2001 Tel: 619 517, 618 773
Tokyo: 8th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku Tel: 241 2920
For Business News Summary Ring: 01-246 8026; Birmingham area, 021-246 8026.

TUESDAY, JULY 22, 1975

Very much in reserve

WHILE Ministers were busy yesterday in announcing or not announcing details of their plans for restricting pay increases, the business indicators were providing fresh evidence of a trend in the economic situation which will powerfully reinforce the effect of direct intervention. Mrs. Shirley Williams has now put out a consultative document about changes in the Price Code which will be needed to carry out the Government's expressed intention. The main point of new interest here is a rule which would strengthen the proposed penalty in the case of firms which are highly capital-intensive.

Mr. Denis Healey, on the other hand, while setting out the main objects of the reserve powers he has in mind—which would, among other things, have the effect of somehow nullifying any pay increase above £6 made after August 1—had not even the outline of a Bill to announce to the House. Partly for the fear of interfering with the "voluntary" nature of the new policy, partly because of severe drafting difficulties, the Bill is not to be published for the time being. Employers (and unions, too, perhaps) are therefore threatened with retroactive legal action of an unspecified kind if they break the "voluntary" agreement.

Oppressive

Whatever its political merits in the eyes of a divided Labour Party, this is an undesirable and oppressive procedure. While there is clearly something to be said for temporary control of incomes in the present state of the economy, such control inevitably carries offsetting disadvantages of its own. The way in which the Government has chosen to go about the production of a policy which is compulsory and voluntary at the same time is one more serious disadvantage on top of those we have previously discussed.

Perhaps the worst of these disadvantages is that incomes policy as such is likely to be given the credit for what success the Government now achieves in diminishing the rate of inflation, and that continuing control of incomes—a possibility clearly hinted at in the White Paper—will come to seem desirable. The Chancellor claimed yesterday that there was now a tidal wave of public opinion in favour of the Government approach: he may or may not be right, but tidal waves are not usually regarded as something to be welcomed.

Intervention

Pay restraint should certainly help to keep unemployment at a lower level than that to which it would have otherwise risen, but unemployment is already high and will rise further. Even on the prices front, in fact, the Chancellor is not expecting dramatic results (presumably because of cost increases already in the pipeline) until the beginning of next year. But wholesale prices seem already to be levelling out, while higher unemployment and the associated rise in short-time working are already serving to slow down the rise in earnings and cause a drop in retail sales — 2 per cent. lower by volume in the second quarter, for all the post-Budget buying spree, than in the first.

Provided that the Chancellor keeps the growth of the money supply under strict control and provides for genuine cuts in the growth of medium-term public expenditure, he should now find it possible not only to bring inflation gradually under control but to allow for economic expansion as world trade recovers without causing an immediate recrudescence of the inflationary disease. But direct control of incomes will have had only a subsidiary role to play, justified by the state into which the economy has been allowed to drift. It is time to begin thinking now not only of the "more flexible and sophisticated guidelines" to be introduced after the next wage round is over but of how to move away from voluntary compulsory wage restraint altogether.

The exercise of local party power

MR. HAROLD WILSON'S decision to intervene personally in the dispute between Mr. Reg Prentice and certain members of the Newham North-East constituency Labour Party adds an unexpected new dimension to the affair. One has to presume that the Prime Minister would not have chosen to take this step unless he had reasonable grounds for believing that his intervention would have some effect. The latest unofficial head counts suggest that Mr. Prentice's opponents on the local party's general management committee may be close to winning a majority of the votes on Wednesday but they are not yet assured of one. Nevertheless, should they succeed in ousting Mr. Prentice as the local Labour Party candidate, not only will the party's national executive committee have to endorse their action: the NEC will also now be invited to discuss the issues raised by Mr. Wilson acting in his capacity as leader of the Party.

Direct backing

The Prime Minister is doubtless hoping that Mr. Prentice may yet be saved by this implicit demonstration of his own support for him, coming as it does after the more direct backing of 14 of Mr. Prentice's other colleagues in the Cabinet and a large number of his fellow Labour MPs, including yesterday Mr. Cledwyn Hughes, chairman of the Parliamentary Labour Party. But Mr. Wilson has at the same time broadened the affair by raising the questions of principle that underlie the dispute.

No-one can deny the right of any local party, Labour or otherwise, to decide whether to re-nominate an MP or candidate whom it has supported at previous elections. Indeed, the Conservatives expressly provided for such a procedure, broadly corresponding to that used by local Labour parties, in the new model rules which were drawn up for their local parties some two years ago. The problem arises as a result of actions—to use Mr. Wilson's words in his letter to one of Mr. Prentice's Parliamentary supporters yesterday—by "small and not necessarily representative groups who have secured a degree of power within a constituency."

This is not a wholly new problem. It is never easy to attract and retain the voluntary help that is needed to maintain a local party organisation and one could point to examples in all three major political parties, in the past as well as at the present time, where the local ward or constituency "machine" is run by a very small and unrepresentative oligarchy. Nor are disputes between local party workers and the candidates they have selected to represent them confined to MPs and Parliamentary candidates. Indeed, there are many more local councillors who have been disowned by their party after they have fallen out with the ruling group on the local council. The trouble is that these clashes appear to have have become more frequent.

Broader interest

A concentration of power may be acceptable so long as those who hold it act with restraint and look upon themselves as the custodians of the broader party interest. It becomes intolerable when they abuse their advantage to pursue ends that are inimical to that broader interest. It can be one thing to drop an unsuccessful candidate; it is another to withdraw support from someone who has not demonstrably broken the contract implicit in his selection, who has received—in Mr. Wilson's words—the stamp of the electorate, and who has the national and Party standing of Mr. Prentice, a Cabinet Minister. Those in Newham North-East who wish to see him ousted should think seriously before they act out their part in a system of Parliamentary democracy which depends essentially upon the tolerance competing interests afford each other.

Specialist *versus* generalist—a City dilemma

Barclays' takeover of Mercantile Credit raises basic issues about banking structure. By Michael Blanden

THE PLANNED takeover of Mercantile Credit is a major new development for Barclays Bank, which has never previously owned a finance house, and a welcome move for Mercantile itself and for its other main shareholder, Commercial Union Assurance. It is also a useful way of unwinding one of the biggest commitments in the clearing banks' "lifeboat" support operation for the secondary banks.

At the same time, the deal renews the debate over the future shape of the City and the structure of the banking system. The basic issue is whether it is inevitable that the big clearing banks will take an increasingly dominant role, leaving little scope for independent and competitive institutions. This question affects not only the consumer credit business of the finance houses but also the specialised activities of other City institutions, including in particular the merchant banks.

The trend was summed up a couple of years ago in the controversial report produced by Mr. James Robertson during his time at the Inter-Bank Research Organisation. "London's position as a leading financial centre has been based on the multiplicity and specialisation of the financial intermediaries operating there, but structural and technological changes in the financial services industry are pointing firmly towards the concentration of financial business in a smaller number of larger multi-purpose financial institutions," he argued.

Disputed in the City

This conclusion has been widely disputed in the City, particularly by merchant banks which feel that their role as financial entrepreneurs cannot be effectively assumed by the institutionalised organisations of the big banks. Nevertheless, there is some evidence that, on an international scale, the functions of the specialists are increasingly being taken over by the big banks which have the large resources needed to support lending activities. There is also some indication that events of the past couple of years—including the fringe banking crisis in the U.K. and the Herstatt collapse in Germany—may have accelerated this development. Depositors' caution has meant that funds have been attracted to the large (and therefore "safe") institutions at the expense of smaller organisations.

The authorities, particularly the Bank of England, clearly intend that effective competition for banking business should continue. The Bank's insistence on the continued independence of merchant banks, even if they are within the fold of one of the big banks, is one aspect of this. Equally, it is hoped that the problems of the secondary banks will be sorted out in a way which enables competition for consumer credit business to

Mr. Anthony Tuke (left), chairman of Barclays, and Mr. Daniel Meinertzhagen (right), chairman of Mercantile Credit. The proposed absorption of Mercantile by Barclays underlines the practical advantages held by the big commercial banks compared with their smaller competitors.

continue. How much genuinely independent competition will survive, and what the implications will be of growing dominance by big multi-purpose financial groups must, however, be serious questions.

The history of the relationship between the clearing banks and the hire purchase finance houses is in itself an interesting record of the changing character of the market. The clearing banks' interest in hire purchase was particularly aroused during the late 1950s (the last period before 1971 when there was complete freedom of action in the consumer loan market) when they began to develop the idea of the personal loan and their attention was caught by the expanding activities of the instalment credit companies.

The result was a rush by most of the banks to acquire some sort of stake in this business. The pattern varied, and was further complicated by the subsequent mergers among the banks. This led to some of the banks holding stakes in several hire purchase companies with little apparent logic. The picture was finally completed only in 1972, with National Westminster's sale of its Mercantile Credit stake to Commercial Union.

This left NatWest with a wholly-owned instalment credit subsidiary, Lombard North Central and Midland with its Forward Trust subsidiary, while Lloyds had its joint interest with Royal Bank of Scotland in the Lloyds and Scottish group. Barclays stood somewhat aside from these developments, in line with its general tendency, at least in the U.K., to avoid the outright purchase of other companies in related areas of finance.

Barclays' interests in instalment credit were confined to minority holdings. The biggest was a 28 per cent. stake in United Dominions Trust, which it sold off to Prudential Assurance and Eagle Star for £41.9m. in cash in 1972. So although Barclays retained its interest in Mercantile, acquired with the purchase of Martins Bank, the latest move represents a marked change in its philosophy.

It may also be symptomatic of a different relationship between the banking and the instalment credit business. When the big banks went into the hire purchase companies, they were quite different types of activity. The finance houses operated in a market virtually untouched by the big banks, selling instalment credit through trade outlets, particularly garages. But their funds came basically from the banks, which came to realise that there was little sense in their providing finance for other operators who then lent the money on to consumers and took a turn on the deal.

The situation therefore changed substantially, particularly after the introduction of the new policy of Competition and Credit Control in 1971. The banks themselves took an increasing interest in financing consumer purchases and encouraging personal borrowing, bringing them effectively into direct and more obvious competition with the finance houses. More important, some of the independent finance houses themselves began to look for a more ambitious role.

The main feature of this period was the substantial development of the "parallel" money markets. The availability of commercial funds in a period of rapid monetary expansion made possible the growth of the secondary banks. It also enabled the independent finance houses to reduce their reliance on bank funds, and created a situation in which several were encouraged to undertake substantial expansion outside instalment credit.

These included, for example, UDT's ventures into money shops and the development of its merchant banking capacity—which partly prompted Barclays' decision to sell its stake—and the general feeling that there was scope for the finance houses to develop much more into the field of consumer banking.

The secondary banking crisis, however, has once again changed the situation. Commercial deposits are no longer so easily available for the independent houses, and they have had to rely once more on the big banks for funds—with the difference that they are now far more obviously in competition with each other for business. Those finance houses which have had bank backing throughout the crisis have escaped the pressures and problems of loss of confidence. For Mercantile, being absorbed by Barclays will make an immediate difference to the costs of its money and to the general level of confidence in market over its activities. But it also underlines the practical advantages held by the big commercial banks compared with their smaller competitors.

The dominance of the big banks, moreover, goes beyond the limited area of consumer finance to embrace most kinds of banking activity—and on an international scale. The worst of the upsets which followed last year's Herstatt crisis are over. Nevertheless, the big resources required to meet growing international financial demands still tend to be concentrated in a limited number of banks. Thus there is some evidence that, in the international issue business, the strong efforts being made by the large commercial banks—particularly from the U.S. and the Continent—are having a significant impact on the activities traditionally carried out by specialised merchant and investment banks.

The argument over the growth of conglomerate banking, with the prospect of the more specialised activities being increasingly absorbed into the big groups, has been rumbling around the City for some years now. Recently the argument has taken in the example of the big Continental banks, which embrace a much wider range of activities, and also the pressures on the clearing banks themselves to make more effective use of their extensive branch networks to sell more services.

The clearers are in fact moving in this direction, with activities such as insurance broking added to their traditional lending business. But the most sensitive area is the merchant banking business. This is probably the most characteristic of the City's specialised activities, providing an outlet for highly skilled financial entrepreneurs — not necessarily using the bank's own money—to develop sophisticated financial advisory services, whether in the field of takeovers and mergers or in the arranging of large funding deals.

Entrepreneurial talents

The Bank of England has taken a protective view of this sector. When, in 1973, it relaxed the rules which had prevented the takeover of top merchant banks by big commercial banks (clearing the way for Midland's full acquisition of Samuel Montagu), it continued, for example, to insist on the independence of merchant banking activities even when accommodated within a big group. This was one of the reasons for Brandt's decision to leave the Accepting Houses Committee in connection with the rearrangement of its management structure within the Grindlays group.

It is argued by some in the City that only in the context of a relatively small organisation, such as an independent merchant bank, can full freedom be given to the development of the entrepreneurial talents required, and the speed of reaction needed, to create new ideas in finance. All the big clearing banks have developed their own merchant banking capacity, with Midland the outstanding example following the Montagu and Drayton acquisitions. But the City is not yet convinced that they can provide the right atmosphere for genuine merchant banking activities.

Against this some bankers, with Sir Kenneth Keith of Hill Samuel in the lead, have argued that size and weight of resources are likely to be more important in coping with the pressures of international business in particular. The bank which can put the money on the table itself, rather than organising other people's funds to provide a loan, has an advantage, it is suggested.

Recent events could heighten these pressures. The top merchant banks have not felt the same sort of problems of loss of confidence as the finance houses. But Brandts has demonstrated that they are not immune from making substantial errors which, with a relatively small capital base, can endanger their overall position.

Problems of communication

Nevertheless, there is a continuing debate over the relative roles of the branches and the specialists. The branch system produces skilled and experienced lending bankers, accustomed to a fair degree of individual power in their own areas and to dealing on reasonably intimate terms with a wide range of customers. But there are problems of communication in using these outlets for more specialised services, and in finding enough managers of the calibre and wide experience needed to cope with the rapidly expanding range of facilities.

It would be ironic if the outcome of the brief period of the competition and credit control policy were to be to heighten a long-term trend in favour of the big guns and reduce competition. It may be helpful that over the next few years the big banks will be faced with a new source of competition in the personal market from the Trustee Savings Banks, while, in business activities and even in the domestic market, the competition is likely to grow even more intense on the international scale, with the big banks in all countries fighting for their share. But the authorities will still need to consider how the big lenders can be kept on their toes by the existence of an influential and strong group of smaller independent banks and financial institutions.

MEN AND MATTERS

President Ford: who snubs who?

President Ford was coming to London on August 3 and 4—or so informed rumour had it—and the official announcement was expected any day. It would have been his first trip here since he became President, making up for an earlier European tour in which he visited Belgium, Spain, Italy and Austria, but not Britain.

This time he is going to Bonn, Warsaw, Helsinki (for the European Security Conference), Bucharest and Belgrade. London was to have come at the end.

Now it appears London has been struck off the list. The President is prepared to make no more than a "technical stopover" at London Airport. Britain has apparently decided to play it tough, so there will be no going out to the airport to see him. Either the President comes properly or there are no talks. After all, this is a matter of protocol: it is not as if he were Henry Kissinger, who can summon James Callaghan at the drop of a hat.

Richardson: studying hard

As a contrast, the President's Ambassador here, Elliot Richardson, is working rather hard at understanding Britain. His interest in British Leyland, oil rigs, Labour rallies and the like are not typical ambassadorial preoccupations. Yesterday he made his first visit to the Stock Exchange, meeting the chairman, deputy chairmen and getting a tour of the works — he was intrigued by the round-the-clock nature of the operation, with jobbers making a price in U.S. securities when the American markets are closed.

It wasn't a full dress visit though (the City has not laid that on for Richardson yet) but the result of a lunch invitation from brokers Laurie Millbank, which has a fair U.S. business and also reckons to know a lot about the American economy in order to run its gilts side.

But the Ambassador did collect a cigarette box made of marble from the old Stock Exchange, expressed the opinion that Britons were facing up to their economic crisis slightly more realistically than some Americans at home thought, and also heard Jim Slater's views on the subject.

Kialivaikaus*

That grand, 35-nation Helsinki summit due at the end of this month has one problem to face which does not relate to politics: the fiercely complicated Finnish language. The thought of delegates from East and West burning with fraternal feelings but unable to comprehend street signs or ask passing Finns the way to anywhere has persuaded the country to call in help from abroad. This has come in the shape of diplomats from Finnish embassies, withdrawn temporarily to help out with translation problems.

Finnish owes nothing at all to most European languages with the exception of Estonian and Hungarian, the three falling into a type which has its origins in Mongolian Asia. The 4.4m. Finns, speaking a language which rattles even expert linguists with its 22 case endings, can understand Estonians ...ough, conference or easily (the chances of hearing it not their ...h, the Iron Curtain barrier must be... spoken through ... small) but ...rian. not, curiously, Hunga... deal less

Things were a good deal less arduous for hard-working diplomats at the Congress of Vienna between September 1814 and June 1815, the post-Napoleonic European map-drawing occasion which has been compared in importance with the Helsinki summit. Apart from business, the congress was characterised by lavish receptions, and any delegate rash enough to wander off round old Vienna need only have understood German to get by.

*Finnish for language difficulty.

"I will do such things — what they are yet I know not — but they shall be the terrors of the earth."

Benn: a long journey?

The new Secretary for Energy, compared with his past performances, has been keeping his head remarkably low. His only major excursions so far have been to the Isle of Grain to celebrate the arrival of Britain's first North Sea oil shipment, to the Forties Field to see where much of the stuff will be produced, and to an anti-inflation Cabinet meeting with a copy of Labour's manifesto tucked ostentatiously under an arm.

It looks though as if Anthony Wedgwood Benn is planning some highly-visible work soon. He is letting it be known that he hopes to meet ambassadors of OPEC countries, and this is expected to be a prelude to a Middle East visit, seeing how the longer-established oil people make out. So far this year, Trade Secretary Peter Shore spent three days in Iran talking trade deals, but another Iranian visit announced for Chancellor Denis Healey in April did not materialise.

Back home, Benn is not forsaking his North Sea duties. He has now embarked on a series of "getting to know you" meetings with oil company executives. Last week he met Sir Eric Drake, chairman of BP, and followed this up yesterday with discussions involving Esso and Continental Oil executives.

Fancy dealing

Some juicy-sounding papers were put out last year by the Amsterdam-based Journal of Financial Economics. "Fallacy of the log-normal approximation to optimal portfolio decision-making over many periods," "A negative report on the near optimality of the max-expected log policy as applied to bounded utilities for long-lived programs," and even "Convergence to isoelastic utility and policy in multiperiod portfolio choice" and even "Portfolio turnpike theorems for constant policies."

Observer

BY JOE ROGALY

Time for a Government lead on race

ONE OF the good reasons for having a Labour Government is that it is more likely than any Tory administration to find time for the kind of legislation that promotes what Mr. Roy Jenkins has called the "civilised society." This was certainly true of the 1964-70 Labour Government. It could be true of the present one: a promising start has been made with the bill on discrimination against women and it is possible to have high hopes for a strong new bill on race discrimination after the promised White Paper is published in September or early October.

I do not mean by this that Conservatives are all "racialists" or that Labour is always on the side of the angels in these matters; a moment's thought about Labour's record on immigration will show how absurd such a proposition would be. It is simply that at certain times Labour has shown itself more willing than the Tories to legislate, and legislate hard, in order to tackle an obvious social injustice like discrimination on grounds of sex or race. There are two schools of thought about this matter: the one to which Tories are most easily attracted runs along the lines of "you cannot make laws that will eradicate prejudice," while Labour is naturally more at home with "but at least you should try." The uncompromising strength of Labour's sex discrimination Bill, as compared with the Tory proposals, shows what I mean.

Hard to try

Just how hard it is to try becomes plain when you consider the state of race relations in Britain to-day. Any outsider who has experienced a difficult racial situation in a mixed community—in South Africa, say, or the U.S.—is likely to be appalled at the carefree, almost irresponsible, quasi-racialism of much that appears on British television. The private prejudice that we all know of but which is more or less supressed by existing legislation is alarming evidence of how too many people who should know better are acting in apparent ignorance of the explosive results of a policy of doing nothing in case it stirs things up.

How inadequate this policy is is shown in one of the most devasting condemnations of Government inactivity that I have read for a long time. I refer to yesterday's report from the Select Committee on Race Relations and Immigration*, a Parliamentary body that in earlier reports has already provided voluminous evidence showing the disadvantage of being black in Britain. In every area—employment, housing, education, social services—our society is simply not providing even the minimum care and attention needed to protect its non-white citizens from the effects of discrimination. It may be true that the law and public administration cannot make people like those whom they dislike, but the very least that can be expected is that equal treatment (in jobs, house-allocation, schooling) is available for everyone.

But what do we read in yesterday's report? "The plain truth is that the Home Office is not at present equipped to give a lead or to deal effectively with race relations matters," says paragraph 12. The Department of Employment, which has just about the best record of any Government department on this matter, acknowledges that its relevant staff is "few and thinly spread by almost any standard," as we are told in paragraph 13. The Department of Education and Science remains "singularly uninformed" on matters of race relations, according to paragraph 14; it is just starting to respond to the Committee's 1973 session report.

Sir Geoffrey Wilson (left), chairman of the Race Relations Board, and Mr. Mark Bonham Carter (right), chairman of the Community Relations Commission. The odds-on favourite is a new Commission combining the functions of both organisations and with wide ranging additional powers.

About as bad

The Department of Health and Social Security, says the Select Committee, "has neither a unit nor any establishment concerned specifically with race relations." The Department of the Environment is just about as bad; paragraph 15 tells us that its "disregard of the race relations aspect of its activities is demonstrated by its continued failure to reply to the Committee's Report on Housing published four years ago." Even the Civil Service Department "still has neither a special unit nor any staff concerned with race relations."

Clearly the strategy laid down under the Race Relations Act 1968—the last Labour Government's strategy—is failing. The new strategy taking shape is based on the notion that the Sex Discrimination Bill shall be a stalking-horse for a more powerful Race Relations Act to come. The broad outline of what will be proposed in the forthcoming White Paper on this proposed law will probably be not too dissimilar from what the Select Committee was talking about yesterday, although there may be important differences of detail.

Thus it seems likely that the Government will propose the setting up of a new body—the Committee suggests the name "Equal Rights Commission"—which would have powers in matters of racial discrimination equivalent to those proposed for the Equal Opportunities Commission when it comes to discrimination against women. This would be something much stronger than the Race Relations Board, whose primary function has been to try conciliation as a means of settling quarrels between individuals and the organisations against whom they have complained.

An "Equal Rights Commission" would move into the big time. It would be able to enforce the attendance of witnesses and the production of documents. It could make, and insist on the carrying out of, non-discrimination notices. It would steer cases towards industrial tribunals, ordinary conciliation machinery, and the courts. It would be directly represented on any Whitehall official committee on race relations. The idea at this level (and it is an idea by no means confined to the Select Committee) is that the Commission would deal directly with large companies, local authorities, or Government departments so that in each case policies of positive non-discrimination would be imposed by the Board, council, or Minister responsible.

This is way beyond the level of taking a publican to court because he has refused to serve a Pakistani. It could mean that, say, ICI, or Distillers, or Babcock and Wilcox might find itself obliged to demonstrate that it is offering equal employment opportunities to British citizens of all races, or that a Birmingham area local council might find itself in a similar position on housing. At this point the framers of the proposed new legislation seem to be divided.

Merge

The one side wants to have the new Commission concentrate on high-level enforcement, using individual instances of discrimination as test cases. The other wants the Commission to provide a small service now available through the Race Relations Board—that of helping, say, the outraged Pakistani in the above example to fight his case. It seems right that provision for this should be built in: if the Race Relations Board's "conciliation" approach is to be scrapped then at least individuals should feel that the new Equal Rights Commission will provide advice and legal aid if they need to sue.

A second matter in dispute is on the surface a mere quarrel about administration. Should the new Commission simply merge the existing Race Relations Board and the present Community Relations Commission, or should it take some of their functions and leave out others. Roughly speaking the Board wants the second approach: the Community Relations Commission wants the first. This argument is of great importance. The bit of the Community Relations Commission that is, as it were, "not wanted" is its field officers — a body of local workers of whom it must be said that some are very good and some are very bad.

The argument for keeping them in the new body is that it should be "community-based" if it is to win the trust of the West Indians, Pakistanis and Indians it will serve. The argument against is that winning this trust means risking the involvement of pressure-group activists who could ruin the whole organisation from within.

Activists have a special and indispensable place in our society. The interests of non-whites are more likely to be neglected if there is no pressure group acting on their behalf than if such groups, with their speeches, demonstrations, protests and the rest, keep on working as hard as they can. But if a Government agency is identified (rightly or wrongly) with this kind of activity its own strength will probably be sapped. What the Government has to decide is where to put the local Community Relations Officers in the new scheme: the Select Committee puts them down as employees of its proposed Equal Rights Commission but I am not so sure that this method of winning the trust of "the people" would not be bought at the cost of debilitating the Commission itself.

It is not possible to be dogmatic about this, and I suspect that the Community Relations Commission, whose view is promoted by its chairman, Mr. Mark Bonham Carter (a charming and powerful lobbyist in his own right), will prevail over the Race Relations Board, whose official view is yet to be set out in full. The result is that the odds-on favourite is a new Commission in which all the functions of the existing two organisations, and then some, will be thrown together.

Broad front

Of course, that alone (or the preferable version, leaving the "community based" work to a separate organisation) would not be enough. The Cabinet really has to take a decision to tackle racial discrimination on a broad front. Every Department should be required to prepare its own programme for this, and an inter-departmental group should co-ordinate it. The Government has direct power or strong influence over the employment of some 7m. people in the public sector while, through its buying policies, it can influence the bulk of the private sector. A genuinely determined Government could make measureable progress: if it could bring the TUC to persuade individual trade unions to live up to their pretensions of brotherhood it would do even better. The decision has yet to be made. If a Labour Government will not make it, who will?

*Select Committee on Race Relations and Immigration Session 1974-75. House of Commons Paper 448. SO 60p.

Letters to the Editor

Electoral system

From Mr. A. Smith.

Sir, Contrary to David Watts' remarks in his article on the way to revivify the party system (July 18), the case of Mr. Prentice and the Newham North East Labour Party is a further illustration of the need for electoral reform in the shape of the introduction of the single transferable vote in multi-member constituencies.

If Mr. Prentice is dropped by his local party he has under our present electoral system three options: He can accept the decision and retire from parliamentary politics, or he can seek another seat which could prove very difficult, or he can stand as an independent Labour candidate in his present seat. Should he choose the last option, he will be accused rightly of splitting the Labour vote and his chances of being re-elected and of holding on to the seat if re-elected will be pretty slim. He might, being a nationally known and controversial figure, have a better chance of doing so than Messrs. Milne, Griffiths and Taverne but this is doubtful and if the seat were not so secure a Labour seat there would be a strong probability of letting the Conservative in on a split vote.

None of these problems would arise if the seat were grouped together with say four others and the STV applied. Under these conditions Mr. Prentice could stand as an independent Labour candidate secure in the knowledge, as would be those who might wish to vote for him, that if he were unable to reach the required quota for election, then his votes would be transferred to support other candidates (presumably in the main official Labour candidates).

The only people who would be unhappy about this rearrangement would be the petty dictators of the local Labour Party whose hold on the seat would thus be broken. The same would apply equally to the Conservative caucuses who seek quite understandably under the present system to impose a candidate upon the electorate who most nearly represents their own perhaps narrow and unrepresentative views.

Surely this would be better in itself and also more acceptable to the electorate than the artificial and wearying contrivance of expensive primary elections which would themselves be open to the same objections as the present "first past the post" system of election to the House of Commons itself. The case of Mr. Prentice is indeed a prime reason why we cannot delay much longer in adopting a sane electoral system.

Alan F. Smith.
14 Wensleydale Road,
Hampton, Middlesex.

East London lives

From Mr. C. H. Beales.

Sir,—David Watt (July 18) says in his interesting article about the predicament of Mr. Reg. Prentice, that Newham is a place of political decrepitude, and decay: working class — Alf Garnett country, dominated by a local machine.

I do wish that writers of the calibre of David Watt would not turn to the back writers who get a cheap laugh, and a good living out of prostituting the people of the East End of London. Perhaps in time he will learn that even the "Alf Garnetts" read the articles published in your excellent paper although not being able to afford your excellent advice in the investment field.

Newham is a community which was originally formed through migrations of people from all over Britain, indeed from all parts of Europe. Living conditions were bad, and overcrowding was widespread. The docks and factories were built in close proximity to the streets of back-to-back houses. These living, and working conditions produced a very tight-knit working class community. This community of spirit still prevails today, although massive decline has taken place in both docks, and industry. Firms do not necessarily leave the area because of non-profitability but because they are finding better profits elsewhere.

It is a sad fact of life that industry does not act responsibly to the community that it has helped to create, and in the bad old days exploited the very people who helped to create its wealth, thus fostering the growth of trade unionism, and the Labour Party.

C. H. Beales,
106, Morse Close,
Plaistow, E.13.

Preference dividends

From Mr. R. Instone.

Sir,—The thinking which underlay the Board of Inland Revenue's statement (July 19) appears to be as naive as that which gave rise to Finance Act 1972, Sched. 23, para. 18.

If necessary, we are told, amending legislation will be included in the next Finance Bill providing "with effect back to 1973" (sic) that the rate of advance corporation tax to be used in the re-calculation is that in force on April 6, 1973.

Unless and until Mr. Justice Brightman's interpretation is overruled or reversed by statute, a dividend paid in accordance with it, and only such a dividend, will satisfy the shareholder's legal rights, and the paying company's obligations. Is it seriously suggested that a retroactive clause (which Parliament may or may not approve) in a future Finance Bill will confer on shareholders the right to some arrears of dividend which did not exist when the dividend was paid?

Ralph Instone.
13, Old Square,
Lincoln's Inn, W.C.2.

Discounted views

From Mr. A. Ovenden.

Sir,—Mr. Acton Pierce (July 18) should be more precise. He will know that the interpretation of an Act of Parliament is the prerogative of the courts alone and not of the Institute of Chartered Accountants in England and Wales. He will also know—or should know—that statements of standard accounting practice are issued under the authority of a joint committee representing the five major accounting bodies, my own institute included. Accounting Standard No. 8, the relevant one in this case, therefore represents the view of them all and I am very sorry to see that their authority carried little weight with the Court. If it had done the judgment might well have been different.

A. E. Ovenden.
61, Elveley Drive,
West Ella, Hull.

Decisions of the Court

From Mr. P. Sheppy.

Sir,—You have already carried favourable comment (Lex, July 19) on the speedy reaction of the Inland Revenue to the doubt raised on Thursday regarding the tax status of Preference shares.

I think, however, it is to be deplored and I trust, if necessary, resisted in Parliament that the Chancellor of the Exchequer should contemplate amending legislation which will be retrospective in effect. *If it is ultimately proved that the original enactment did not convey the meaning for which the Inland Revenue contend it is utterly wrong in principle for Parliament to overrule retrospectively the decisions of the Court.*

A similar situation arose in relation to VAT and the House of Commons firmly rejected the *principle. It is to be hoped that* this will not become the occasion for setting a precedent.

P. F. Sheppy.
Royal Exchange, E.C.3.

Lock in fit operatives

From Mr. A. Brookes.

Sir,—In view of the widespread prophecies that unemployment will shortly exceed 2m., would it not be advisable to abandon the Industrial Tribunals and the LIFO principles of the Redundancy Act, and allow employers to retain only those whom they feel will work the hardest, so that maximum productivity can be obtained from those remaining employed?

A. T. Brookes.
Dormer Cottage,
Charlwood, Surrey.

Portfolio advice

From Mr. R. Harwood.

Sir,—As an employee of the investment department of one of the joint stock banks, I was very interested to see the letter from Mr. Mutch (July 16) raising the matter which all those involved in investment management with the banks have to face, namely whether or not to recommend the unit trusts of a subsidiary or associate company to investment management clients and trustee portfolios.

I think that this point can only be considered in the light of a decision as to what service the investment and trustee departments of the banks are seeking to provide. In my opinion, this service is investment advice and whether this is provided in the form of individual portfolio management or through the medium of a unit trust is a matter of the packaging rather than the product. In my own bank, the department responsible for providing investment advice for private clients also manages our major "in-house" fund and the investment advice given in each case is therefore the same.

When one considers the major advantages of unit trust investment—an initial charge which is often less than the expenses involved in purchasing stocks and shares, the favourable treatment for capital gains tax purposes, the opportunity to invest funds overseas without the problems that are usually involved and the fact that a more active portfolio policy can be followed without incurring a disproportionate amount of expense—the case for utilising this investment medium is very strong indeed.

R. J. Harwood.
41 Boxley Close,
Penenden Heath,
Maidstone, Kent.

Advantages and risks

From the Managing Director,
Engineering Sciences Data Unit.

Sir,—Putting the onus squarely upon the employer to run his business with due regard for his employees' (and, one hopes, neighbours') health and safety is a tenet of technological legislative procedure already well established in at least a few fields (David Fishlock's article, Learning to Live with Technology, July 16).

Where such a policy succeeds, however, it is coupled with a declared interest in ensuring that knowledge of the technology by which health and safety are to be assured is available to, accepted and used, not only by the operator of plant, machinery and transport but also by all others who may be affected.

Taking, by way of example, Mr. Fishlock's observation that scant public attention is paid to the 80 or so coalminers killed every year, we can be sure that they do not pass unnoticed by their colleagues or their unions. They, we would assume, are constantly aware of the currently acceptable level of "trade-off between advantages and risks." To arrive at this level the unions need to have as full an appreciation as anyone else in the industry of the appropriate up-to-date technological, economic and social data or experience which *condition* the industry's own standards and procedures.

More than this, they and all other interests involved, need to be assured or to assure themselves that the data on which they are basing their acceptance are the same data as those which everyone else is using and that they are virtually incontravertible. If the data were not of these qualities, acceptance and implementation of an employer's standards and procedures would be a desultory business.

We seem to be entering an age of growing sensitivity to potentially hazardous situations, affecting many more interests than are evident in the example I have just given. Mr. Harvey suggests taking the techniques used to develop advanced technologies and applying them to make the technologies safe; these *must* surely include techniques for establishing, on an impartial basis, the data and all other information surrounding each situation. This will have to be done in a way which is intelligible and acceptable to all concerned. Otherwise there can be no assurance of the conscientious implementation of health and safety measures or any honest acceptance of realistic safety levels on the part of employers, employees or any other group of society which might be affected.

Anthony J. Barrett (Dr.).
251-259, Regent Street, W.1.

Honours uneven

From Mr. P. Hutchings.

Sir,—Following your publication (July 19) of U.K. University degree results, 1972, perhaps the media which reported, misreported — and stigmatised — Keele students' activities over the previous four years will now give equal publicity to their position in the league table.

In first place, over 99 per cent. of Keele graduates were awarded honours degrees.

Philip Hutchings.
Uphill Cottage,
Urchfont, Devizes, Wilts.

To-day's Events

GENERAL

EEC Agricultural Ministers end two-day meeting, Brussels.

Sir Charles Court, Western Australian premier, continues talks with oil companies involved in Australia's North-West shelf project, London.

Duke of Edinburgh opens Royal Welsh Show, Builth Wells.

Princess Alexandra presents award to Newsboy of the Year, Savoy Hotel, W.C.2.

British Steel Corporation annual report published.

Figures of new vehicle registrations (June) issued.

CBI's London and South-East Regional Council meets.

PARLIAMENTARY BUSINESS

House of Commons: End of two-day debate on inflation White Paper, followed by motions on Members' pay and allowances.

House of Lords: Iron and Steel Bill, committee. Industry Bill, committee. Motion on Report of Select Committee on European Communities.

COMPANY RESULTS

Illingworth Morris (full year).

Inveresk Group (half-year).

National Westminster Bank (half-year).

Taylor Woodrow (half year).

COMPANY MEETINGS

Alpine Soft Drinks, Birmingham, 12.

Billam (J.), Sheffield, 12.

Brown (N.) Investments, Manchester, 12.30.

Hardy (Furnishers), 30, Portland Place, W.12.

Macanie (London), 22, Hausner Square, W.3.

Northern Goldsmiths, Newcastle upon Tyne, 10.45.

Petbow, Sandwich, 12.

Property Holding and Investment Trust, Dorchester Hotel, W. 12.15.

Sumner (Francis), Great Eastern Hotel, E.C., 10.30.

Transparent Paper, Cafe Royal, W., 12.30.

UDS Group, 22, Arlington Street, S.W., 12.30.

United Engineering Industries, Manchester, 12.

Warwick Engineering Investments, Birmingham, 12.

OPERA

Royal Opera production of Peter Grimes (conductor David Atherton), with Heather Harper, Ann Pashley, Geraint Evans, Gwynne Howell and Jon Vickers, Royal Opera House, London, 7.30 p.m.

COMPANY NEWS + COMMENT

Second-half upturn lifts Dowty to £9½m.

IN THE SECOND HALF of 1974-75 profits of the Dowty Group improved from £4.49m. to £5.26m. This more than offsets the downturn shown for the first six months and leaves the total for the year ended March 31 ahead from £8.91m. to a record £9.46m.

Turnover expanded from £71.14m. to £94.85m., including U.K. exports almost doubled from £15.53m. to £30.14m.

During the year certain long term export contracts were completed at fixed prices which adversely affected results. Pressure on margins and the U.K. rate of inflation "grossly" in excess of the group's international competitors resulted in trading profits rising by only £1¼m., the directors explain.

Earnings per 50p share are stated to be up from 12.9p to 13.2p. The dividend is raised by the maximum permitted—from 4.71625p to 5.03p net, with a final of 2.44p.

	1974-75 £000	1973-74 £000
Turnover	94,851	71,144
Trading profit	9,748	8,486
Interest	292	436
Profit before tax	9,456	8,412
Taxation	4,570	[illegible]
Net profit	4,886	4,779
Extraordinary credits	18	†276
Net balance	4,904	4,503
Dividends	1,872	1,745
Retained	3,032	2,758

† Debits.

During the year real and inflationary growth increased fixed and working capital with some relief from tax deferment on stock increase. Borrowing remains low and short term facilities should be sufficient for present needs, members are told.

See Lex

INDEX TO COMPANY HIGHLIGHTS

Kwikform marginally ahead

ON A turnover up from £9.04m. to £10.75m., group pre-tax profit of Kwikform improved marginally from £1.08m. to £1.09m. in the year to April 26, 1974, after a first half avance in turnover from £3.75m. to £5.51m. and in profits from £0.47m. to £0.6m.

Stated earnings per 20p share for the year decreased from 11p to 10.9p. A final dividend of 2.68p makes a same again net total of 4.08p.

	1974-75 £	1973-74 £
Group turnover	10,732,396	9,044,809
Profit	882,664	873,311
Share associates	209,554	205,035
Profit before tax	1,092,218	1,078,346
Taxation	550,830	540,737
Net profit	541,388	537,609
Redemption reserves	6,600	24,662
Dividends	207,960	201,837
Extraordinary debits	—	23,084
Retained	326,828	288,026

On the current year the chairman, Mr. F. M. Russon, says that due to the recession in the building and civil engineering industries it must be expected that turnover in the home market will be affected. The company is therefore concentrating on the opportunities that exist for increasing turnover in overseas markets. It is engaged in the manufacture and hire of scaffolding systems.

● comment

The U.K. civil engineering recession really bit into Kwikform's profits in the second half of 1974-1975 sending them 19½ per cent. lower before tax after a 27 per cent. rise at the interim stage. But for the strong growth of the group's exports sales—up by 71 per cent. last year to 22½ per cent. of the total—the downturn would have been much more severe. As overall volume decreased last year so the working capital demands also eased and the group was therefore able to reduce its bank borrowings (£1.3m. in the last balance sheet) by around 23 per cent. Kwikform is continuing to push ahead with its export expansion but as yet there has been no sign that the U.K. downturn is ready to bottom out so a further reduction in profits this year looks unavoidable. That appears to leave the shares at 67p, yielding 9½ per cent., on an unsteady base.

Lynton not now "close"

Lynton Holdings states that, following disposals of shares by a director and his family trusts since March 25, 1973, the company has been advised that it is no longer "close."

Details of the changes in directors' interests will be contained in the annual report and accounts, due to be published next month.

Daily Mail and General Trust Limited

Statement by Viscount Rothermere, Chairman

The last twelve months have seen far reaching developments, both economic and political, in this country and in the world. Considerable efforts to contain inflation have been made, with some success, by certain European countries, but Government in this country has until now made no effective move to limit the rate of inflation or correct the adverse balance of payments.

The uncertainty of the economic situation in this country resulted in the share index reaching its lowest figure for more than twenty years, though increasing distrust of sterling has produced a marked recovery in the Equity Market, during the first part of 1975. Deterioration in the economy of this country has inevitably weakened sterling in relation to overseas currencies, and has also resulted in a substantial increase in the dollar premium.

It was in this context that during the earliest part of our financial year the Company increased its liquidity; investment action during the year has resulted in a book surplus of £909,624.

There are tax losses in excess of £½ million which are available for set off against tax on future capital gains.

The results for the year to 31st March, 1975, show that Franked Income has increased by 10%, Unfranked Income by 65%, partly because of increases in overseas dividends and partly because of the high yield on cash placed on short term loan. The income from Associated Newspapers has increased by 6½%, the maximum possible.

Total income has increased by 20%, giving, after provision for tax and the preference dividend, earnings per share of 12.9p compared with 11.5p in the previous year.

An interim dividend of 3.575p per share was paid in February and, in view of the increase in income, the final dividend now recommended is the maximum payable namely 5.99p per share, bringing the total to 9.565p per share, absorbing £954,227 and leaving £334,299 to be carried forward.

Inflation is a prime cause of our economic ills. Only firm Government action can avoid the present situation becoming worse.

The very decisive result of the Referendum may well be interpreted that the country is prepared for such action. What is clear is that if the Government and the leaders of Industry and the Trade Unions are not prepared to unite in taking positive steps to halt the increase and then to secure a reduction of inflation, it is impossible to look forward to the future with confidence. One can only hope that the measures recently announced will be effective.

MK Refrig. mid-term setback

ORDER cut-backs in the brewery sector and increased costs reduced profits of M.K. Refrigeration from £683,000 to £436,000 in the 26 weeks to May 3, 1975, before tax of £227,000 against £355,000. Turnover expanded from £4.33m. to £4.46m.

The interim dividend is maintained at 1.1576p net per 10p share. Last year's total was 2.3152p, paid on pre-tax profits of £1.4m.

The interim dividend will be paid on October 3, a month later than last year. This will be beneficial to the company, chairman Mr. M. Komedera explains, since it will defer the payment of ACT—£44,140—by nearly three months.

Mr. Komedera says first-half profits were adversely affected by a fall in volume due to order cutbacks in the brewery sector and by increased material, labour and overhead costs which the company was unable to recover fully.

The situation has improved recently, to the extent that orders have increased compared with a few months ago, and action to reduce certain costs has been taken. However, it is too early to predict the year's final result, the chairman adds.

● comment

M.K.'s growth image has been severely dented over the past three six-monthly periods, a pre-tax increase of only 5 per cent. being followed by shortfalls of 23 and 36 per cent. respectively. The first-half setback this time reflects the cutback in expenditure by the breweries on top of a sharp rise in overheads. Some improvement in orders has been seen of late thanks to the prolonged dry spell and a drive for more real ale, which has prompted the breweries to take a more positive role. Just how long this recovery will last is plainly uncertain, given M.K.'s reluctance to give a profits projection over the three months remaining. Clearly the market remains unimpressed with the shares at 33p (some 37 per cent. below the year's high) for a yield of 10.8 per cent.

Channel Tunnel share price

Channel Tunnel Investments, the long-established concern which had a limited shareholding in the British Channel Tunnel Company (through which the British side of the now-abandoned Channel Tunnel project would have been conducted), yesterday said it knew of no reason for the sudden sharp rise in the price of its shares.

Channel Tunnel shares more than doubled in price last week, rising to 37½p from 15p. Yesterday morning, they retreated to 32p.

The company reminded shareholders that the scheme for capital reconstruction, involving a repayment of 40p per share, became effective on July 7 and the shares are now quoted ex the repayment.

Christie Tyler tops forecast

PRE-TAX PROFIT of furniture and upholstery group, Christie-Tyler, expanded to a record £1.87m. for the year to April 30, 1975, compared with a forecast of a figure around the previous year's £1.63m., after being £0.42m., against £0.75m., for the first half.

Turnover for the year rose from £15.87m. to £22.24m., and stated earnings per share advanced from 12.2p to 13.5p. The dividend is lifted from 5p to 5.30405p net per 10p share with a final of 3.30405p.

Mr. G. Williams, chairman, says the sales volume was up 20 per cent., reflecting a significant increase in market share. The financial position is "very strong," providing the base for future growth, and the initial signs for the current year are "encouraging."

	1974-75 £	1973-74 £
Group turnover	22,244,146	15,865,894
Profit	1,872,058	1,627,552
Tax	1,006,071	844,759
Net profit	865,983	782,793
Preference div.	3,087	3,087
Ordinary	340,213	314,063

● comment

Christie-Tyler's margins have recovered smartly during the second six months to 10½ per cent. (against 4.9 per cent. at the interim stage), which is roughly the same level achieved during the two halves of 1973-74. The improvement is to a large extent volume-based—around half the annual sales increase of 40 per cent. is volume, with the remainder a combination of price increases and a certain amount of trading up. Again, the export content is minimal and the group, concentrated as it is at the middle to lower end of the furniture market, has benefited from wages inflation among the blue-collar workers. C-T's experience is that the destocking phase on the part of customers is now largely over and the order books are currently far better than last year's, admittedly depressed, corresponding period. The report, when published, should show a net cash position and be more precise about prospects, but the yield of 17.1 per cent. at 51p (covered over 2½ times) is keeping its options open.

Peak year for Allied Retailers

DESPITE THE probability of reduced consumer spending in the near future, Mr. H. Plotnek, chairman of Allied Retailers, is still hopeful that current year profits will be a record.

In the first quarter, turnover and profits show a considerable improvement, he reports.

The directors have increasingly taken a more optimistic view than that prevailing a year ago, and negotiations are at various stages which could result in six new stores opening in the current year.

During the past year 11 stores were opened and nine small units closed—the net effect was an increase in the total gross area of 106,700 sq. ft. The company also took over a new carpet warehouse with a gross area of 92,400 sq. ft. More recently the move to larger headquarters in West Bromwich by the carpet company was completed.

The chairman says that from this base it is intended that further large-scale expansion will take place "with the objective of making the company the largest and most profitable retailer of carpets in Europe."

As reported, group pre-tax profits rose from £1,478,601 to £1,860,216 in the year ended March 29, 1975, after a first-half reduction from £700,325 to £518,160. The dividend is 4.4174p (4.08p) net.

Meeting, Birmingham, August 21 at 10.30 a.m.

Land & General Developments

A Department of Trade petition for the enfranchisement of non-voting shares in Land and General Developments was dismissed in the High Court yesterday.

"What happens in the future is a matter for the Somerston Shipping and Channel International Trust interest," said Mr. Andrew Morritt, counsel for the Department, in applying for their petition to be dismissed.

But he said that Department inspectors were still investigating Land and General affairs—and he intimated they could intervene again if Somerston and Channel, who now control the majority voting rights, did not act fairly to existing shareholders.

Mr. Morritt recalled that, last week, shareholders had rejected proposals for compensating voting holders on the basis of a three-for-two scrip issue.

The position had now been obtained where it was obvious that the Court would not endorse enfranchisement against the wishes of the majority of non-voting shareholders. No other terms could be properly put forward by the Department of Trade as Napet Securities, who had held control, no longer had any connection with Land and General.

Sir George Dowty, chairman of Dowty Group.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Christie-Tyler	3.3	—	3	5.3	5
Danae Trust ...... 2nd int.	1.63	Sept. 5	1.85	2.83	2.43
Dowty	2.44	—	2.39	5.03	4.72
Free State Dev. Corp. ... int.	10(c)	Sept. 19	12	14	12
Geduld Invests. ...... int.	15cts	Sept. 12	11	—	34
Hammond Holdings	2.25(a)	—	1.88	3.75	3.13
Kwikform	2.68	—	2.68	4.08	4.08
London Australia Inv. int.	4(b)	Aug. 28	4	—	9
MK Refrigeration ......int.	1.16	Oct. 3	1.16	—	2.32
Marryat Group	1.38	—	1.18*	1.38	1.18*
Rubislaw Trust .... int.	0.75	Sept. 26	0.75	—	3.73
U. C. Invests. .... int.	11cts	Sept. 12	11	—	36
Yelverton Invests.	Nil	—	0.39	Nil	0.39

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. (a) Gross throughout. (b) Australian cents. (c) South African cents.

Marryat hit by stock loss

PRE-TAX PROFIT for the year to March 31, 1975, of Marryat Group contracted from a restated £1,038,613 to £844,644, on a turnover up £5m. at £26m.

At the half year when reporting profit down from £308,418 to £42,100 the chairman, Mr. R. A. Marryat, expressed the view that profit for the full year would exceed that of 1973-74. But stock discrepancies and costing errors were discovered during the final audit at Marryat Handling which had the effect of reducing the year's pre-tax profit by about £350,000.

However, with certain developments and the extended product range now available the prospects of the mechanical handling division have greatly improved and a turn-round in the results in the current year should be achieved.

Stated earnings per 10p share decreased from 7.01p to 4.85p. The dividend is effectively raised from 1.1751p to 1.3795p net.

	1974-75 £	*1973-74 £
Turnover	26,000,000	21,000,000
Profit before tax	†844,644	1,038,613
Taxation	283,389	559,306
Net profit	561,256	499,307
Attributable	332,231	485,189
Extraordinary debits	‡312,000	208,220
Balance	352,231	285,929
Preference div.	—	2,273
Ordinary	100,226	90,880

Basis of accounting for overheads on stock and work in progress has been changed. The 1974-75 results are stated on the new basis and the comparative figures for 1974 have been restated on the same basis as the 1975 results. † Lift and escalator £896,000, mechanical and electrical £972,000, mechanical handling £710,000 loss, head office, interest and other costs £314,000. ‡ Transferred from capital reserve.

Mr. Marryat says the comprehensive development plan outlined last year has been implemented and worthwhile results can be seen in the current order books.

Good results are expected from the present and expected future overseas developments. The company has a contract involving all its engineering services divisions in the Middle East, and many involving at least two divisions of the group in the U.K. and abroad.

Hill Samuel Australia record

Net profit of Hill Samuel Australia for the year ended March 31, 1975, at $A352,500, after tax of $A187,500, was the highest achieved by the company since it was established in 1970. The 1974 profit was £107,000 after tax of $94,000.

Chairman, Mr. E. S. Owens said, however, that this year's result was an "inadequate" return in the highly inflationary conditions now prevailing in Australia, and that to keep pace with inflation a rate of return of at least 20 per cent. on shareholders' funds was required.

Total assets employed are shown at $93.5m. compared with $94.4m. at end-March, 1974.

Danae cuts dividend

Earnings per 50p Income share of Danae Investment Trust are shown to have decreased from 3.37p to 3.23p in the year to May 31, 1975, and the dividend is cut from 3.425p to 2.831p net with a second interim of 1.625p.

Gross revenue increased from £490,174 to £594,887, but net profit was down at £226,505 (£236,304), after tax of £208,167 (£143,211), and minorities £138,923 (£82,483).

Net asset value per income share was 19p (28.2p). There were no assets attributable to the Capital shares (same).

Mr. G. W. Ashfield has joined the Board.

I. & J. Hyman upsurge

Profits for the first six months of 1975 of I. and J. Hyman were "considerably" in excess of those for the similar 1974 period, Mr. Peter Buckley, chairman, told shareholders at yesterday's annual meeting.

It was also announced yesterday that in accordance with the terms of the original acquisition contract, a further 1,111,111 Ordinary shares have been issued to the vendors of Foam Marketing—Hyman acquired Foam in November 1974 for 1,470,588 shares.

Debenture Cpn. holds revenue

GROSS INCOME of the Debenture Corporation amounted to £716,057 for the six months to June 30, 1975, compared with £724,220 in the same 1974 period and, with fees, etc., and after charging expenses and debenture interest, the pre-tax balance for the period shows little change at £623,119, against £624,043.

The tax charge is heavier, however, and after this and the Preference dividend, the first half profit available for Ordinary holders has slipped from £393,500 to £381,225.

As announced, an unchanged net interim dividend of 0.36p per 25p share has been declared, absorbing £168,000. Total for 1974 was 2.30p paid from available profits of £780,193.

Net asset value per Ordinary share, subject to contingent liability for capital gains tax and surrender of investment currency premium where applicable is shown at June 30 at 87.6p (65.5p).

ISSUE NEWS

Estates House Inv.

ARRANGEMENTS have been completed for the introduction of Estates House Investment. The company was formed to merge by a scheme of arrangement some 16 quoted companies and 6 unquoted companies, previously known as the "Lowson Group."

Objectives of the scheme are basically threefold. First, it will eliminate the present highly complex cross-holding structure, thereby making it easier to give a true valuation of assets. Secondly, it will separate the Lowson interests from those of the public. Finally, it was felt that the substantial cross-holding produced an unusually high discount while at the same time it reduced the level of dividend paid to shareholders.

The new trust has investments which have an estimated market value of about £38.16m. In addition net current assets total £1.10m. On this basis net asset value of the Ordinary capital is 167.1p per share or 164.8p diluted for full conversion of Convertible Debenture stock, as at December 31, 1974.

The new trust and its subsidiaries (including for this purpose dealing subsidiaries) have substantial holding in a number of trading and investment companies, in particular, they own 46.2 per cent. of the equity of Anglo Thai and 18.3 per cent. of Algoma.

Arrangements have been handled by Hill Samuel and Co. Dealings start to-day.

Particulars, Pages 10-12

See Lex

Westland £4.4m. rights

Westland Aircraft intends to raise £4.4m. by way of a three-for-ten rights issue to Ordinary holders at 33p per share.

Group turnover has risen from £46.3m. in 1969-70 to £82.4m. in 1973-74, which is a trend the directors expect to continue. This rate of growth has been influenced by inflation but principally the increase relates to the greater volume of export business.

It is the export business, which involved an increasing number of large individual contracts, that puts pressure on finance because although production expenditure is fairly evenly spread, cash receipts from customers can vary considerably according to payment terms. As the directors are determined to expand exports proceeds of the issue will be used to finance working capital requirements.

The Board intends to recommend, in the absence of unforeseen circumstances, a final dividend of 1.82435p, which would make 2.50135p per share for the year to September 30, 1975, equal to 3.8807p gross per share, an increase of 12½ per cent.

The issue has been underwritten by J. Henry Schroder Wagg and Co. and brokers are Rowe and Pitman, Hurst-Brown.

See Lex

Eucalyptus

The Bank of England has issued an Exchange Control Notice stating that the shares of Eucalyptus Pulp Mills will now be subject to the normal rules applicable to sterling securities.

This follows the announcement by the company that it had discontinued its proposals to alter the Articles entitling holders of the company's shares to receive payment of dividends in Portuguese Escudos.

JOHN WADDINGTON LTD

Sober Confidence in the Future

Salient points from the Statement of the Chairman, Mr. R. E. Chadwick, for the year ended 30th March, 1975.

£000	1975	1974
Sales	26,644	19,837
Profit before Tax	2,424	1,942
Taxation	1,339	1,025
Profit after Tax attributable to members	1,082	917
Earnings per Ordinary Share	21.06p	18.07p
Ordinary Dividends per Share	5.4585p	5.1345p

The profit before tax for the year to 30th March, 1975, is once again a record at £2,424,000 as against £1,942,000 last year, an improvement of 24.8%. Turnover increased by 34.3% from £19,837,000 to £26,644,000 and after tax profit by 18.0% from £917,000 to £1,082,000.

The profit is again very near the sum permitted under the Counter-Inflation legislation.

The balance sheet has been strengthened by the reduction of bank borrowings by £360,000 which now stand at £1,811,000. Our Bankers have approved a level of £3m. overdraft until the end of 1976, renewable in the light of conditions ruling at that time. Thus our profit has kept pace with inflation, our liquidity has improved, and we have secured a good margin of further finance.

The results are in line with our ten-year record, which shows a steady growth of pre-tax profit from £400,000 to £2,424,000.

It is proposed to increase the Ordinary dividend by the maximum allowed to a total of 5.4585p per share.

It may be of interest to give again the same statistics as in the last year's report showing some of the more general financial effects of our activities during the year.

All of our subsidiaries have their own management teams responsible for development, selling and manufacturing. We have believed for a long time that the smaller unit is an effective one making for a much greater degree of involvement among a much larger number of people.

On the whole the trading units of our company had a good year. We were hampered by price control and this particularly affected our games and puzzles division which also suffered from disruption of supplies. Plastona (John Waddington) Ltd. was still affected by butter subsidies which reduced the demand for margarine containers.

In June last year we began to reduce stocks and all of our subsidiaries responded well, so we now see a much improved cash situation. At the same time capital investment has been much reduced.

While the Government calls for more investment it must be appreciated that addition to working capital eroded by inflation must have first call on funds; if the Government really wants investment it must allow profit.

Trade was good at the start of the year under review and remained good longer than expected. A falling off of orders was apparent in the second half and since the year end this trend has continued. There is no doubt that we are in for a hard year. However, economists are forecasting an improvement in world trade in 1976, our cash requirements are under control and our customers' stock reductions are drawing to a close. Against this background we have grounds for sober confidence.

	Year to March, 1975	Year to March, 1974
Trade generated for others	£17,378,000	£13,459,000
Provided for Communal Purposes (PAYE, Corporation Tax and VAT)	£ 3,005,000	£ 2,161,000
Foreign exchange obtained for Britain	£ 1,959,000	£ 1,346,000
Jobs maintained	3,535	3,334
Paid net of tax to employees	£ 5,636,000	£ 4,550,000
Paid net to Shareholders	£ 287,000	£ 280,000
Retained to offset Inflation and to invest in the business	£ 795,000	£ 637,000

New Subsidiaries

At the year-end the Business-Forms Division and the Games and Puzzles Division were formed into new subsidiary companies, Waddingtons Business Forms Ltd. and Waddingtons House of Games Ltd. During the year we formed The Regal Gift Wrap Co. Ltd. to act as a specialised marketing arm of Valentines.

اهكذا من الأجل

Long-term confidence at Geo. Bassett

WHATEVER PROBLEMS lie ahead, Mr. D. G. Johnson, chairman of confectioners, Geo. Bassett Holdings, is confident that the company is well equipped to meet them.

"I have never felt more confident of the long-term future of your company than I do to-day," he declares.

Mr. Johnson reports that home sales of the U.K. manufacturing division in the first 12 weeks of the current year are up 30 per cent. and slightly ahead of budget. But exports, although 22 per cent. up, are well below budget as a result of the uncertainty caused by the export levy during April and May.

Looking to the longer term, the aim is to extend overseas operations, which already account for *some 10 per cent. of profit*, and various means of achieving this objective are being examined.

It is planned to expand the marketing companies in Sweden and Holland by increasing progressively their range of merchandise and area of operation.

As reported on June 25 group pre-tax profit decreased from £2.15m. to £1.62m. in the year to March 31, 1975, and the dividend is 4.2165p (3.877p) net per share.

Mr. Johnson stresses that the *extent of the second half recovery* (profit was up from £0.91m. to £1.37m.) confirms that the poor first half performance was due to a combination of exceptional factors, and in no way indicated a downturn in earnings capacity.

He emphasises that liquidity must be a major preoccupation. The recent building programme *has been completed and capital* expenditure will therefore be less this year. Liquidity should benefit accordingly.

The directors have decided to dispose of properties surplus to requirements. Group properties available for disposal are shown at £0.79m. (£0.97m.), and the realisable value is expected to *exceed that amount.*

RECENT ISSUES

EQUITIES

Issue Price p***	Amount Paid Up	Latest Renunc. Date	1975 High	1975 Low	Stock	Closing Price p***	+ or −	Div. Amount	Times covered	Gross Yield	P/E Ratio
4	F.P.	—	172	156	Akroyd & Smithers	165	......	a50	1.7	12.1	7.6
48	F.P.	11.7	56	42	Clive Discount (20p)	51½	......	15	—	9.5	—
55	F.P.	21/8	65	65	Lawrence (Walter)	55	......	b18	2.7	12.6	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1975 High	1975 Low	Stock	Closing Price £	+ or −
‡‡	F.P.	21/8	95	89¾	Adwest Grp. 10½% Cnv. 95/2000	90	−2
¶£100	F.P.	11/6	140	114	Allied Irish 10% Conv. Uns. 1985	117	......
$100	F.P.	—	101	$99½	Barclays Bank Int 9¾% Capital Notes 1982	100½	−½
£100	£10	7/11	11¼	10¼	Barnet Corp. 14½% 1980	10⅞	−⅜
£100	£10	7/11	12¼	10½	Do. Do. 14% 74/6	11	−1¼
£100	F.P.	—	100	99½	CSR 9¾% Notes 1980	99¾	−¼
**£99	£10	12/9	10½	9⅞	Camb. Water 9% Red. Pref. 1980	10½	−¼
£97½	£50	12/9	50½	49⅝	City of Westminster 13% Red. St. 1981	50⅝	......
£98½	£10	—	11⅛	10¾	Derby C. C. 13½% Stk. 1982	11	......
¶£99	£10	29/8	11¼	10½	East Surrey Water 9% Red. Pref. 1980	10½	......
¶£100	Nil	—	4	3	English Properties 12% Conv. Ln. 2000/5	3pm	......
£100	F.P.	—	106½	102½	Ennis Finance U.K. 9% Conv. Gtd. Uns. Ln. 85-90	104	−¼
£99	F.P.	31/7	112	100⅝	Folkstone Dist. Water 9% Red. Prf. 1980	100½	......
¶£100	F.P.	6/6	132	111	Gestetner 10% Conv. Uns. '90/95	112	−8
£100	£50	—	56¼	53	Hoechst 10% Guar. Ln. 1990	55½	−¼
£99	F.P.	30/5	103¼	97	Lincoln Corp. 13% 1980	100	+½
¶£100	Nil	—	7½	2½	Mitchell Cotts 15% Conv. Uns. 90/5	3pm	......
$100	F.P.	—	$105	$100½	Norsk Hydro 9¾% Bds. 1980	$105	......
£100	F.P.	21/5	125	106	N. Atlantic Secs. 7¾% Cnv. '95/98	112	......
£99	F.P.	31/7	112¼	100⅝	N. Surrey Water 9% Red. Prf. 1980	100½	......
¶£100	Nil	16/7	6	—	Prop. Hldgs. & Inv. 9% Conv. '90/5	4pm	......
£99	£10	29/8	10¾	10¼	Sunderland Water 9% Red. Pref. 1980	10½	......
‡‡	F.P.	—	85	77½	Turner Curzon 10% Conv. Uns. '78-90	85	......
£1	F.P.	24/6	110p	95p	Waterford Glass 10% Conv. Cum. Red. Pref.	100	−1
‡‡	F.P.	—	101¾	100¼	Whitbread 11% Conv. 1995	100½	......

"RIGHTS" OFFERS

Issue Price p***	Amount Paid up	Latest Renunc. Dates †		Stock	Closing Price p***	+ or −
110	Nil	28/7	25/8	Anderson Strathclyde	2pm	......
45	F.P.	20/6	8/8	Associated Engineering	43	−1
26	F.P.	7/7	31/8	Barrow Hepburn	35	+1
85p	F.P.	2/7	1/8	Bell (A.)	99	......
46	F.P.	7/7	10/9	Bor Intl.	44	−½
115	F.P.	21/7	1/9	Bowater	157	−1
50p	Nil	25/7	5/9	Brit. Steam Specialties	2pm	......
40	F.P.	3/7	8/8	Carless Capel	59	......
30	F.P.	21/7	29/8	Century Oils	35	......
A$1.50	F.P.	2/7	7/8	Commercial Bank of Australia	213	......
45	Nil	6/8	4/9	Comp Air	[illegible]	[illegible]
72	Nil	30/7	28/8	Dunbee-Combex-Marx	[illegible]	......
45	F.P.	26/6	25/7	Duport	40¼	+½
65	F.P.	4/7	21/8	Ever Ready	73	......
10p	Nil	4/8	5/9	Fenlex	8pm	......
38	F.P.	11/7	1/8	G.E.I. Intl.	59	−1
200	F.P.	4/7	7/8	Glaxo	348	−6
17	F.P.	4/7	17/7	Gordon Johnson-Stevens	17½	......
35	F.P.	21/7	11/8	Haslemere Properties	25	+5
10p	Nil	29/7	[illegible]	Headlam Sims & Coggins	3pm	......
20	F.P.	25/7	8/8	Kwahu	22	......
28	Nil	21/7	20/8	Leboff (Fobel)	1½pm	......
103	Nil	30/7	15/8	Legal & General	6pm	−5
50	F.P.	18/7	21/8	London United Invs.	63pm	......
25p	Nil	23/7	20/8	Macfarlane Group	34pm	−2
210	Nil	1/8	29/8	Metal Box	15pm	−1
10p	F.P.	2/7	8/8	NSS Newsagents	49	......
60	F.P.	9/7	8/8	Nurdin Peacock	77	......
105p	F.P.	21/7	29/8	Pegler Hattersley	106	−1
180	F.P.	11/7	1/8	Phoenix Assurance	202	......
$A1.56	Nil	—	—	Poseidon	45pm	......
5p	F.P.	11/7	5/8	Premier Cons. Oilfields	11½	−½
67	Nil	24/7	19/8	Redland	21½pm	−1
20	F.P.	4/7	8/8	Root Harvesters	24	......
10	Nil	28/7	12/9	Senior Engineering	2pm	−¼
27½	F.P.	10/7	31/8	Serck	32	......
80p	Nil	25/7	12/9	Siebe Gorman	27pm	......
95p	Nil	25/7	5/9	Smiths Industries	14pm	−1½
170	Nil	6/8	5/10	Tate & Lyle	17pm	−1
65	F.P.	17/7	7/8	U.K. Optical	81	−1
50p	F.P.	21/7	15/8	Unicorn	50	......
110	Nil	6/8	29/8	Wheatsheaf Dist.	19	−5

Renunciation date usually last day for dealing free of stamp duty. a Placing price to public. b Figures based on prospectus estimate. d Dividend rate paid or payable on part capital, cover based on dividend on full capital. p*** Pence unless otherwise indicated. n Forecast dividend: cover based on previous year's earnings. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividends. ** Issued by tender. ¶ Offered to holders of Ordinary shares as a "rights." ♥ 280 S.Afr. cents. ‡ Rights by way of capitalisation. †† Tender allotment price. ◆ Reintroduced. ‡‡ Issued in connection with reorganisation, merger or take-over. ♣ Introduction. ● Issued to former Preference holders. ‡ Allotment letters (or fully-paid). ‹ Provisional or partly-paid allotment letters. § With warrants.

Hard year for Waddington

A WARNING of a "hard year" *in 1975-76 for* **John Waddington** is given by the chairman Mr. R. E. Chadwick in his annual statement.

However, economists are forecasting an improvement in world *trade in 1976, the company's* cash requirements are under control and customers' stock reductions are drawing to a close, he says.

Against this background "the directors have grounds for sober confidence."

Mr. Chadwick reports that trade was good at the start of 1974-75 and remained good longer than expected, *but a falling off in* orders was apparent in the second half and since the year-end this has continued.

The balance sheet has been strengthened by a reduction of bank borrowings of £360,000 to £1.81m.—bankers have approved a level of £3m. overdraft until the end of 1976, renewable in the *light of conditions ruling at that* time. Thus, Mr. Chadwick adds, profit has kept pace with inflation, *liquidity has* improved and a good margin of further finance has been secured.

During 1974-75 £147,000 was spent on land and buildings and £523,000 on plant and motor vehicles. Sales contributed £156,000 leaving a net outlay of £514,000, compared with a depreciation charge of £655,000 and a cash flow of £1.46m. (*excluding tax deferred* because of stock relief).

As reported on July 10 taxable *profit increased from* £1.94m. to £2.42m. in the year to March 30, 1975 and dividends are up from 5.1343p to 5.4583p net.

The company is engaged in printing and making cartons, business forms, labels, games and jigsaw puzzles, etc. Meeting, Leeds, on August 15 at 10.30 a.m.

A subsidiary, Valentines of *Dundee, one of the biggest con*cerns in the business, has cut its production of Christmas cards by about 25 per cent., according to Mr. Victor Watson, managing director of Waddington. The decision was made last November and the company is now "sold out" he said.

Chairman's statement, Page 18

● comment

Waddington's share price has outpaced the All-Share Index by over a quarter so far this year and the group balance sheet adds some support to these *movements. Stocks and debtors* have increased by 21 per cent. compared with a turnover gain of 34 per cent. but although creditors fell short of the increase in debtors by £581,000 (about a fifth of cash flow) a paring back of *capital expenditure has reduced* total borrowings to 16½ per cent. of capital employed. In addition, the hard core of overdraft borrowing has been funded by a £2m. medium term loan at 1¾ per cent. above the 3 month *interbank rate. Order books for* games and cards seem firm enough at the moment but the main problem may be packaging for the food industry (some 40 per cent. of total activity), where prices and margins continue to weaken. *At 88p the "B" yield* is 9.6 per cent., covered 4.1 times.

Scottish American Investment

FIRST HALF gross income of **Scottish American Investment** has slipped from £1,415,000 to £1,359,000, but, despite this reduc*tion, the directors expect to be* able to maintain the net dividend total for the year.

As known, the interim is unchanged at 0.6p net per 50p share. Total for the year 1974 was 1.75p.

Net assets attributable to each Ordinary share at June 30, 1975, are shown at 68.8p, which compares with 35p, at end-December 1974 and 60p at June 30, 1974.

The full investment currency premium is included in asset *values at 13p (4½p June 30, 1974).* Of the total portfolio, 23.1 per cent. is financed by borrowings and Preference capital.

Yelverton loss but now in profit

Yelverton Investments incurred a net loss of £218,791 in the year ended October 31, 1974, but has returned to profits in the first half of the current year.

There is no dividend for 1973-74 —in the previous year 0.38693p was paid from net profits of *£46,070.*

The figures—struck after a tax credit of £51,101 (£64,281 charge) —are equal to a loss of 0.38p (1.19p earnings) per 5p share.

Results for the six months to April 30, 1975 show a pre-tax profit of £62,570 (loss £62,246), including provisions against debts due to the group of £43,000 (nil).

Chubb still optimistic about current year

LORD HAYTER, chairman of **Chubb and Son,** says that with the considerable proportion of overseas business and the large spread of interests, he remains optimistic about the current *year's results.*

In the year ended March 31, 1975, group sales expanded by 27 *per cent. to £108.12m.* and profit, before tax, went ahead by 35 per cent. to £9.08m. As reported July 3 the dividend is the maximum permitted 2.8545p net (2.6832p).

The chairman explains that the major proportion of the *profit* increase came from the U.K. companies' home and export efforts. *The Canadian company* did well to hold its own in the climate of North American recession and South Africa did the same despite inflation.

The New Zealand company had a disappointing year, but in Australia there was again a big increase over 1973-74. The European companies showed a marked *improvement, as did the Far East* operations.

An analysis of sales and profit by activity shows (£000's omitted):—physical security — locks, safes, strongrooms — £54,676 (£43,489) and £5,725 (£4,037); fire detection and protection £25,868 (£18,598) and £1,850 (£1,176); burglar alarms, central stations, and warden *activities* £15,810 (£12,116) and £1,067 (£1,079); other activities £11,765 (£10,978) and £442 (£435).

Geographically the figures were split as to (£000's omitted):—Europe £21,436 (£18,309) and £892 (£693); Canada £11,837 (£10,299) and £944 (£924); Africa £12,705 (£9,852) and £1,724 (£1,384); Australasia £8,232 (£5,532) and £323 (£248); other overseas countries £10,132 (£8,011) and £1,313 (£541); and U.K. £45,777 (£35,178) and £3,886 (£2,937).

The value of goods exported from the U.K. increased from £8.2m. to £13.1m.

The chairman points out that as with other companies Chubb has had problems in relation to liquidity, but with constant attention to both stocks and debtors "we have succeeded in keeping within the facilities which are available to us."

During the year there was a *net outflow of liquid funds of* £4.13m. (£3.9m.). Overdrafts and other unsecured borrowings increased by £3.85m. to £9.9m., there was a reduction in short-term loans of £118,000 to £3.18m., and a decrease in cash balances of *£398,000 to £1.43m.*

Meeting, Abercorn Rooms, EC, August 14 at noon.

Chairman's statement, Page 21

Downturn expected by Ropner

LOWER GROUP profits at **Ropner Holdings** are expected in the current year and the future outlook is uncertain, especially in *the shipping and property* sectors, according to Mr. W. G. D. Ropner, chairman, in his annual statement.

However, he believes that with an upturn in world trade and a subsequent improvement in freight markets, and provided there is a reduction in inflation, the group "is well placed to progress."

"Greatly reduced" profits are expected from the shipping divi*sion. In 1974/5 its profit included* for the first time an attributable £213,000 before tax from an investment in Stag Line.

Referring to insurance broking, Mr. Ropner says that profits were higher due to increased business at home and overseas. *But it will* be difficult to achieve the same figure in the current year, he adds.

As reported on July 9 turnover rose from £7.66m. to £7.72m. and *pre-tax* profit from £1.21m. to £1.52m. in the year to March 31, 1975 and dividends are up from 1.5104p to 1.6p net. A breakdown of turnover and pre-tax profit by activity shows: shipping £2.72m. (£2.5m.) and £948,000 (£846,000), engineering £3.29m. (£3.42m.) and £418,000 (£406,000), insurance broking £1.11m. (£1.08m.) and £266,000 (*£174,000*), property development and finance £607,000 (£656,000) and £202,000 loss *(£140,000 loss). Investment income,* less interest payable, contributed £37,000 (£60,000 loss).

A statement of source and application of funds shows an increase in net liquid funds of £957,000 (£68,000). Short-term deposits and cash amounted to £4.26m. (£3.31m.).

Meeting, Darlington on August 11 at noon.

Hammond well off target

AGAINST AN *indicated £0.5m.,* group pre-tax profit of Dublin-based **Hammond Holdings** *amounted to £0.4m.* for the year to March 31, 1975, compared with an adjusted £0.44m. for the previous year. At half-way profit was up from £0.21m. to £0.25m.

Stated earnings per 25p share decreased from 6.3p to 6.1p for the year. The gross dividend is stepped up from 3.125p to 3.75p, with a final of 2.25p.

	1974-75 £000	*1973-74 £000
Turnover	4,290	3,808
Pre-tax profit	400	441
Taxation	173	210
Retained	132	132

* Adjusted.

During the year there was a net increase in total reserves of £199,000 (£378,000). The business is that of iron founders and machinery merchants.

INTERNATIONAL COMPANY NEWS + EURO MARKETS

MBB hopes to maintain 1974 profit levels

BY NICHOLAS COLCHESTER

BONN, July 21.

LARGELY INSULATED from the swings of the economic cycle by the peculiar nature of its business, Messerschmitt-Boelkow-Blohm (MBB) the West German aerospace company, expects only a small reduction in turnover in 1975 from last year's DM1.48bn. and hopes to end the year with a result similar to the 1974 after tax profit of DM7.5m.

The company's fortunes are currently bound up with two major projects—the A 300 Airbus and the Multi-Role Combat Aircraft (MRCA). Last year the former accounted for 20 per cent. of the company's turnover and the latter 17 per cent. The Airbus project badly needs more sales: so far the manufacturing consortium has booked 34 firm orders and 28 options. MBB does not expect the project to cover running costs until the 60th aircraft has been paid for and does not expect the full cost to be covered until the 360th plane has been sold.

The MRCA project is currently delayed by problems with the Rolls-Royce engines. MBB directors explained that a lot was being demanded of Rolls in producing an engine that was small, high powered, and forced to run very hot through the use of a lean fuel mixture. The requirement of reverse thrust for landing also complicated the task of its constructors. MBB said that the project was now running about six months behind schedule. The all-important decision for series production should be taken in the autumn and, given the go ahead, this should start in 1976.

Perhaps the most successful part of MBB's business is making helicopters. The BO-105 fixed rotor helicopter has achieved 226 sales up to the end of June and is now a money making project. Full recoupment of the development costs will have been achieved after about 700 have been sold. Another successful MBB product last year was the Roland 2 missile for use against low flying aircraft. This weapon was selected by the U.S. armed forces and will be built under licence by Hughes Aircraft and Boeing.

Of MBB's total turnover in 1974 of DM1.48bn. 66.1 per cent. was accounted for by aircraft construction and development, 8.7 per cent. by space work, 17.2 per cent. by weapon manufacture and development, 3.4 per cent. by transport work, including the Government sponsored research into magnetic levitation systems, and 4.6 per cent. by other activities.

German stores sales growth

BY GUY HAWTIN

FRANKFURT, July 21.

HORTEN, West Germany's fourth largest store group, is forecasting a 10 per cent. increase in turnover for 1975. At the same time, Kaufhof, its larger competitor, reporting a 10.3 per cent. sales growth in the first half, has stated that the year's performance will depend on if and when the economic upswing comes.

The smaller group, which slashed its 1974 dividend to 14 per cent. compared with the previous year's 18 per cent., announced that in the first six months of the year, turnover rose by 8 per cent. In terms of sales space employed, however, the growth rate was 5.6 per cent.

It was stated that the group expected sales in 1975 to total about DM3.6bn. It was also planned to expand sales space by a total of 7.4 per cent. Results, according to the Executive Board, are not likely to be worse than in 1974 and it is understood that Horten believes it can at least hold its 14 per cent. dividend.

Investment in 1975 will total DM125m., while a further DM140m. is earmarked for 1976. In 1977 investment is planned to fall back to around the DM100m. mark. The Executive Board said that it saw the best business development opportunities in the conventional department store sector, and that it had no intention of changing its city department store concept.

Kaufhof, in its interim report, reveals that first half turnover reached DM2.92bn. Last year sales in the first six months totalled DM2.65bn.

Enka forecasts Fl 400m. loss

BY MICHAEL VAN OS

AMSTERDAM, July 21.

ENKA GLANZSTOFF, the Akzo chemical fibres division, expects to make a total loss of around Fls.400m. this year according to its latest forecast for this year.

The company, which last year recorded a net profit of Fls.89.1m. on sales which were up some 9 per cent. to Fls.3.69bn., said in its staff journal published to-day that sales were now expected to fall an average 19 per cent. this year. The worst position is in the polyamide sector where prices have tumbled to unprecedentedly low levels.

A major setback for Enka is the situation in the industrial yarns and Akzo plastics sectors which under the earlier forecast were expected to turn in reasonable profits this year. Losses will now also be made in those sectors. Production capacity at Enka generally is being utilised at only 58 per cent. although the percentage for industrial yarns, at 68 per cent., is somewhat more favourable. In the latter sector, however, the sales decline has been the most pronounced in recent months.

The Enka journal said that the general situation continued to be very bad and there were still no indications of any improvement. The only positive point was that the demand for polyester has shown an appreciable increase. Enka said that the U.S. textile market had shown a major recovery as far as prices were concerned. To a lesser extent, the same applied also to Japan and Spain. "But in the European Community, on which we depend to a large extent, there are no signs of a recovery," it noted.

Enka, which has countered the setbacks in the short-term by reducing staff as much as possible, substantial short-time working, while limiting investment and maintenance expenditure to a minimum, repeated that the results of the McKinsey analysis of the Enka product situation on the European market would be published at the end of this month.

The company said earlier this month that solutions to the problems could be found in a package varying from plant closures, production cutbacks and on a more permanent basis sales of units and mergers. But the definite form of the measures will depend on the outcome of talks with trade unions and works councils.

Du Pont earnings down 82%

By Our New York Staff

NEW YORK, July 21.

E. I. DU PONT de Nemours, the nation's largest chemical producer, reported second quarter earnings of $24m. or 45 cents a share, an 82 per cent. decline from last year's net of $133m. or $2.73 per share in the same period.

The dramatic plunge was even greater than had been anticipated by many Wall Street analysts. Sales were little changed from last year, with second quarter revenues totalling $1.80bn. this year against $1.813bn. last year. The problem, according to Irving Shapiro, chairman of Du Pont, lay in a back log of finished products produced at high costs.

He said that the company has been selling from inventories manufactured when capacity utilisation was low and unit costs of production were unusually high.

He noted that "the company reduced its total inventories by $158m. during the second quarter. Inventories at June 30 were 14 per cent. below the December 31 level and had about reached a level appropriate to the current volume of sales.

W R Grace sees record year

W. R. GRACE second quarter earnings rose 82.6 per cent. to $2.52 per share or net of $79.39m. from $1.38 per share or net of $42.97m. in the same period of last year. Sales totalled $922.2m., compared with $890.2m. a year ago.

This puts first half earnings up 68.8 per cent. to $3.51 per share (2.08) or net of $110.18m. (64.81m.) on sales of $1.78bn. (1.64bn.). The 1975 net includes a gain of $33.14m. or $1.06 per share from the sale of a portion of the company's interest in Jacques Borel International, while 1974 net figures are restated for the change in accounting for two business combinations and for LIFO. Excluding the gain, second quarter net earnings rose 7.4 per cent. to $46.14m. from $42.96m.

The company expects 1975 earnings to exceed the record $4.02 a share (restated) reported in 1974, President J. Peter Grace said. He added there were encouraging signs that the recession in the U.S. is at or near an end and that world-wide recovery would be underway by early 1976.

Reuter

Airco first half growth

Financial Times Reporter

AIRCO HAS reported a record first-half net income of $21.3m. an increase of 62 per cent. over earnings of $13.1m. for the first six months last year. Earnings per share were $1.88 against $1.17 for the first half of 1974.

BOC International acquired a 35 per cent. interest in Airco in December 1973.

Net sales also established a new record for the first six months, increasing 18.5 per cent. to $396.5m., compared with $335.1m. for the similar period in 1974.

Second quarter net income increased 39.1 per cent. to $9.8m., or 87 cents a share, compared with $7.1m., or 63 cents a share, the previous year. Second quarter net sales were $186m., up 3.6 per cent. over the $178.6m. in sales reported for the like period in 1974.

Chairman Mr. George S. Dillon noted that the very satisfactory second quarter sales and earnings performance was achieved despite the depressed state of the steel industry, which is one of the company's principal markets.

Consortium banks profit

By Mary Campbell

HALF YEAR profits of Libra and International Mexican Bank, two of the London consortium banks specialising in Latin American business, have now been published. Libra Bank, established in 1972, recorded net profits of £1.5m. before tax in the first six months of 1975 compared with £0.7m. in the same period last year. On the same basis, International Mexican Bank (Intermex) established last year, turned in profits of £0.3m.

Total assets of Libra rose from £142.6m. at the end of last year to £181.4m. at the end of June. Total assets of Intermex rose from £19.6m. to £30.2m. during the same period: within this total, Intermex's medium term loans rose from £8.4m. to £15.2m.

Libra has decided to open an office in New York in the autumn, Mr. Thomas Gaffney, the managing director, said yesterday.

Gottardo sees further advance

By John Wicks

THE LUGANO-based Banca del Gottardo expects a rise in net profits this year of some 20 per cent., according to a statement made to the Press by managing director Dr. Fernando Garzoni. During 1974, the bank's profits rose 24 per cent. to Sw.Frs.12.7m. Over the first half of this year total assets were up to Sw.Frs. 1.41bn., compared with Sw.Frs. 1.23bn. at the end of last year.

In the first year of its existence, the bank's new bond fund Renivalor booked a "very favourable development," Dr. Garzoni said, with administered assets of over Sw.Frs.60m.

FRENCH PETROCHEMICALS

ATO's independent stance

BY RUPERT CORNWELL

PARIS, July 2[illegible]

HAPPILY, the recession is not the only talking point in the French petrochemical industry. The major groups are facing the usual problems — contracting turnover, plunging profits and mounting investment uncertainties.

But talk of big structural changes in the industry is in the air. The catalyst for the rumours was the announcement last month that the two largest Government-controlled groups, Entreprise Miniere et Chimique (EMC) and CDF-Chimie were to co-operate in fertilisers, and mvc and pvc. The deal stopped far short of anything resembling a merger, but the communique itself had a curiously open ended flavour—enough to revive the long standing vision of a single state petrochemical group embracing not only EMC and CDF-Chimie, but the most aggressive and most recent arrival on the French scene as well, ATO-Chimie. Unfortunately for the armchair strategists, however, ATO does not see things in that light.

Like the rest of the industry, ATO is in the grip of the worst slump of its young life. Created in 1971 out of the chemical interests of the two giant French oil groups, ELF-Aquitaine and Total/CFP, which are still its main shareholders, ATO made a profit for the first time in 1974. Business boomed until September, but even the abrupt slowdown thereafter was not sufficient to prevent a near doubling of sales to Frs.2.7bn. (£300m.) and a tripling of cash-flow to over Frs.350m. Net earnings came out at Frs.42.3m.

This year the trough is as deep as the wave was high. At their headquarters in a 25-storey skyscraper in the defence complex in Western Paris, ATO executives admit that a loss in 1975 is all but certain. Cash flow is under severe pressure and a scheduled Frs.300m. plus investment programme is, if not properly speaking menaced, at least being trimmed wherever possible. The hope is now to keep it to something like Frs.250m.-Frs.275m. But nothing illustrates the present difficulties better than current output figures.

On most major lines production is running at 80 per cent. or less of capacity. All key areas have been hit, starting with ordinary plastics, then major intermediates like ethylene, then high technology plastics as well. The most chilling example is the 150,000-ton benzene plant at Gonfreville, Le Havre, which went on stream for the first time at the start of 1975, only to be closed down a couple of months later. ATO could simply buy the product cheaper than it could manufacture it itself.

For most categories prices have dropped steeply — low density polyethylene for example, down 30 per cent. from the admittedly boom levels of last year. "The price of some plastics is down to that of 1973, before the crisis," one director said, "and you know what's happened to the cost of oil since then."

When then will things improve? Like much of the European industry, ATO sees little real recovery before 1976. The last two months have, in fact, seen a slight upturn but this appears to reflect the end of destocking rather than a genuine upturn in demand. All the while, the French economy goes from bad to worse, especially in the vital motor and construction sectors.

Inevitably, anxiety is weighing on future projects. France already has 2m. tons of ethylene capacity installed. Schemes for new crackers on the drawing boards or for which work is about to start would add another 2m. to 2.5m. tons by 1980. Guessing a growth rate for the next few years is a fool's game but the historic pattern of a doubling every five years seems unlikely to continue.

Against this background it is scarcely surprising to find ATO softpedalling for all it is worth. "You can take it for granted we aren't rushing to make up for delays," executives say wryly, and an immediate casualty seems likely to be the plans of itself and AKZO Zout Chemie of the Netherlands for a second cracker at Gonfreville to supply various downstream units including one of mvc. The project still stands but a go-ahead will only be given when the industry's medium-term prospects look up. The same indeed may be happening for the scheme at Dunkirk of CDF Chimie, backed by cash from the Gulf oil state of Qatar. Target completion date appears to be slipping further into the future and some in the business are now thinking in terms of 1979 instead of the official 1977. At a unit cost of Frs.2bn. to 3bn. for cracker and ancillary equipment, other projects announced in France by Esso, Dow Chemical, Rhone-Poulenc and by EMC in Alsace must be in considerable doubt, if market saturation is to be avoided.

These factors, too, have played a large part in the reports of imminent further concentration in the French industry. There have in fact been exchanges of information between ATO and its two state-owned rivals (hardly unnatural in a time of deep slump to avoid senseless duplication) but ATO is adam[ant] that there is no question of [...] collaboration—and still less any financial ties.

The biggest hurdle—[...] assuming such a move was de[sir]able—is the difference betw[een] the outlooks of the two sid[es]. ATO's President, Alexan[dre] Mallat, is an old CFP man, w[ith] all that company's distaste [for] being considered an append[age] of the State. In fact, ATO [is] indirectly 43 per cent. state c[on]trolled, compared with 82 [per] cent. in the case of CDF-Chi[mie] and 100 per cent. for EMC. [...] there are no government co[m]missaires around, keeping an e[ye] on proceedings, and it operat[es] entirely as a private concern. [...] part of the largest ethylene p[ro]ducing group in France, t[he] second largest polyethyle[ne] maker and the biggest in po[ly]styrene (quite apart from [...] veteran but celebrated ri[lsan] nylon) the 3,200-man ATO [is] quite large enough to mana[ge] on its own. Moreover, it [is] argued, it was the need to uni[fy] the fertiliser output above all [of] the two state groups that push[ed] the Government into promoti[ng] the EMC/CDF Chimie deal.

In the long run, howeve[r] ideological differences will pro[b]ably count less than the futu[re] course of the chemical marke[t]. For the time being, despi[te] periodic outcries over pollutio[n] there is no reason to suppo[se] that the industry will not co[n]tinue to grow more rapidly th[an] GNP. All, of course, depends o[n] just what that GNP growth wi[ll] be. The conventional wisdom i[s] that things will become bright[er] next year and that the policy o[f] companies to keep on investin[g] at the low point in the cycle wi[ll] pay off, albeit perhaps mor[e] slowly, if not, though, all bet[s] must be off.

Singapore probes Haw Par

BY OUR OWN CORRESPONDENT

SINGAPORE, July 21.

THE COMMITTEE of the Stock Exchange of Singapore said yesterday that it had invoked its powers under the Companies Act to investigate dealings in the shares of Haw Par Brothers International.

The quotation of the shares in Singapore and in London has been suspended for some time. Prospects of completion of the £25m. link-up which was announced at the end of May with the Malaysian state-owned Pernas Securities have recently faded rapidly, with increasing controversy building up around the projected deal and with Friday's resignation of three top Haw Par directors.

The company said in London yesterday that its Board in Singapore had during the day accepted the resignations of the managing director, Mr. Donald Ogilvy Watson, and the deputy managing director, Mr. Ian Tamblyn.

Mr. Watson, Mr. Tamblyn and the chairman, Mr. James Gammell, announced their resignations last Friday but Haw Par said it has not yet received a formal letter of resignation from Mr. Gammell.

The officials noted that the resignation of Mr. Gammell had not so far been officially notified or accepted. Pending acceptance, the alternate chairman, Mr. Robert Booker, would act in his place.

A spokesman said the company and its subsidiaries continue to operate normally with all their existing bank facilities and with no interruption of business.

Mr. Watson and Mr. Tamblyn said in a statement at the weekend that their resignations followed the considerable opposition shown by the Singapore authorities to the proposed deal under which the Malaysian Government-owned Pernas Securities would acquire a near 40 per cent. stake in Haw Par.

In Edinburgh, Mr. Gammell said that there was no reason for the Singapore Stock Exchange to investigate insider dealings in the company's shares.

Mr. Gammell, who resigned from the company late last week, told Reuter that he had personally investigated allegations of insider trading by Haw Par directors in the company's shares.

Jardine states terms

HONG KONG, July 21.

JARDINE MATHESON has announced terms under which it will acquire a 53 per cent. stake in Rennies Consolidated Holdings for $HK225.6m.

A statement said Jardine Matheson will bid for 30 per cent. of the existing issued capital for $HK24.67 cash per share pro rata from each shareholder. Immediately following the close of the offer Rennies will issue to Jardine Matheson 7m. new shares for cash at $17.63 a share.

Jardine Matheson will thus acquire a total of 11.28m. shares in the South African company subject to shareholders accepting the bid and agreeing to the increase in capital, it said.

A further condition is the granting of a listing of the 7m. new shares by the Johannesburg Stock Exchange and the London Stock Exchange.

Directors of Rennies will recommend the proposals to shareholders, the statement said.

The Johannesburg Stock Exchange and the London Stock Exchange have been asked to reinstate the listing of Rennies ordinary shares with effect from to-day, it said. The listing was suspended on July 3 when the companies announced they were holding discussions which were likely to lead to Jardine Matheson acquiring a majority stake in Rennies.

The new cash received by Rennies totalling $HK123.38m. will be used in the development of its existing business, primarily shipping, transport and holiday hotels.

Reuter

Norcem raises $20m. Euroloan

By Fay Gjester

OLSO, July 21.

NORCEM, Norwegian producers of cement and building materials, have raised a $20m. 5½ year loan on the Eurodollar market to help finance investment in new and existing plant.

The loan, which was arranged jointly by Hambros Bank and Den norske Creditbank, has been provided by a syndicate of 13 banks in the U.S., Canada, Britain, West Germany, France and Luxembourg.

Terms include currency option and floating interest rate. The loan is the largest Norcem has ever raised, and this is the first time the group has borrowed from an international syndicate. Den norske Creditbank is represented in the syndicate by Nordic Bank, London, and Den norske Creditbank (Luxembourg).

More company disclosure

By William Dullforce

STOCKHOLM, July 21.

THE GOVERNING council of the Stockholm Stock Exchange recommends that as management-employee co-operation expands, companies must take care to inform the stock market and shareholders of significant developments, for instance a merger or takeover, at the same time as they inform their employees.

The booklet, the product of a working group including news media representatives, is an attempt to codify principles and practice as the move towards greater disclosure of company information gathers momentum.

An annual report is insufficient, according to the booklet, which recommends as a minimum an interim report after six or eight months but notes with approval the American practice of issuing quarterly reports. These should indicate sales results, product, market and cost developments, investments, the trading result and the company's current financial position and should follow a consistent pattern.

In addition, to prevent the spread of rumours, a company should announce at once any developments which significantly affect the picture of the company's standing painted in the last interim or annual report.

Company Results

St. Regis Paper profits fall

● St. Regis Paper Company second-quarter earnings per share were 73 cents ($1.36). Net income was $16.37m. ($29.94m.), reserves $345.7m. ($377.0m.).

First-half figures were $1.68 ($2.02); $37.44m. ($44.51m.); and 702.9m. ($701.8m.) respectively.

● Bankers Trust New York Corporation earned $38.1m. before securities transactions for the first six months of 1975, up 11 per cent. from the $34.3m. earned during the same period of 1974. On the basis of average shares outstanding, operating earnings totalled $3.63 for the six-month period in 1975 compared with $3.29 for the respective period in 1974.

For the second quarter of 1975, income before securities transactions totalled $16.7m., an increase of 1 per cent. compared with $16.5m. earned for the second quarter of 1974. The per share figures totalled $1.59 for both the second quarter of 1975 and the second quarter of 1974.

The corporation continues to take a conservative position with respect to the reserve for possible loan losses. For the first six months of 1975, the corporation has added $50.9m. to the reserve. Over the same period the corporation has charged off $39.7m. in loans, resulting in an increase in the valuation reserve by $11.2m.

● Gillette sales for the three months ended June 30 were $352.3m., up 18 per cent. Pretax income was $35,896,000, 10 per cent. below $40,032,000 a year earlier. Consolidated net income was $19,295,000, a decrease of 18 per cent. Earnings per share were 64 cents (75 cents).

Consolidated net income for the second quarter reflects a provision for exchange losses, including those resulting from the devaluation of the Argentine peso—higher net interest expense—and an increase in the effective income-tax rate.

● Textron second quarter earnings fell to 60 cents per share (74) on net of $22.34m. ($27.83m.) on sales of $626.8m. ($549.8m.).

● Nabisco has every reason for renewed confidence about its results for the second half of 1975.

It bases this on strengthening consumer demand and an outlook for success in its marketing programmes, despite continuing increases in labour, distribution and energy costs.

Nabisco reported second quarter earnings of 82 cents per share compared with 66 cents in the 1974 period. For the first half, it earned $1.54 per share compared with $1.28 in the first half of 1974.

● Eli Lilly second quarter world-wide sales totalled $312.3m. compared with $284.3m. for the similar period in 1974. Estimated net income for the quarter was $47.4m. or 69 cents a share compared with $46.6m. or 68 cents a share last year.

For the first six months of 1975, consolidated sales were $665.1m. compared with $597.7m. for the first half last year. Estimated net income for the first half of this year was $106.3m., compared with last year's $104.9m. Earnings per share for the first six months were $1.54, compared with $1.52.

Earnings for the second quarter and the first six months were adversely affected by devaluations of the Argentine peso. These devaluations reduced corporate net income by approximately 3 cents a share for the quarter and 4 cents a share for the first half of 1975.

French business magazines merger

BY RUPERT CORNWELL

PARIS, July 21.

DETAILS are now known of the new magazine born of the merger of two of France's leading business weeklies, the Hachette-owned *l'Entreprise* and *Les Informations* of the Usine-Publications group.

Their successor will be called *Le Nouvel Economiste*, and will appear for the first time on October 10. Based consciously on the American *Business Week* formula, it will employ 61 journalists, drawn for the most part from the editorial staff of the two existing magazines.

The merger was forced by economic circumstances, most notably by the growing financial difficulties of the Hachette publishing group over its Press division. Hachette and Usine-Publications will each hold 50 per cent. of the new venture.

The news coincides with changes at what is certain to be the major rival of *Le Nouvel Economiste*, the weekly *L'Expansion*. The U.S. group McGraw-Hill is understood to have disposed of its 49 per cent. stake in the *L'Expansion* parent company, leaving Jean-Louis Servan-Schreiber, younger brother of the politician Jean-Jacques, as sole owner.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Amax 8½pc 1986	99	100
Ashland 8pc 1987	93	94
Austraswiss 8pc 1987	90	91
BFCE 9pc 1989	98½	99½
Borregaard 8½pc 1989	95	96
Carrier 8pc 1987	91½	92½
Conoco 8pc 1986	97	98
Cons. Foods 7½pc 1991	86½	87½
Cutler Hammer 8pc 1987	91½	92½
EIB 9½pc 1985	101½	102½
Esso 8pc 1986 Nov.	98½	99½
General Cable 8½pc 1987	89½	90½
General Motors 8½pc 1986	102½	103½
GTE 8½pc 1986	97½	98½
ICI 7½pc 1992	79	80
Nat. Grindlays 7½pc 1987	77	79
Pacific Light 8pc 1988	91½	92½
Prov. of Quebec 7½pc 1988	88½	89½
Quebec Hydro 8½pc 1989	96½	97½
Queensland 8½pc 1987	98	99
Scanraff 8½pc 1988	97	98
Shell 8pc 1986	97½	98½
Stand. Oil (Ind.) 8½pc 1988	100	101
Tenneco 7½pc 1987	88½	89½
Transocean 8pc 1986	98½	99½
TRW 8½pc 1986	97	98
Utah 8pc 1987	92½	93½
Volvo 8½pc 1985	99½	100½
NOTES		
Air France 9½pc 1982	102	103
Austin, Ind. Dev. 10½pc 1981	103½	104½
Barclays 7½pc 1978	97	99
Cie Ntl. du Rhone 10pc '82	103½	104½
Du Pont 7½pc 1978	101½	102½
Esso 7½pc 1978	100½	101½
General Motors 8½pc 1976	101	102
Marubeni 9½pc 1982	100½	101½
Nippon Fudosan 10½pc 1981	102½	103½
Skand. Enskilda 10½pc 1981	104	105
Tenneco 7½pc 1978	98½	99½
Tokyo Curacao 10½pc 1981	102½	103½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4½pc '87	[illegible]	80
Ashland 5pc 1988	80	82
Beatrice Foods 4½pc 1992	93	95
Beatrice Foods 4½pc 1992	96½	98½
Borden 5pc 1992	93	95
Broadway Hale 4½pc 1987	74	76
Canon Camera 7½pc 1989	91	93
Carnation 4pc 1987	89	91
Chevron 5pc 1988	101	103
Dart 4½pc 1987	88	90
Eastman Kodak 4½pc 1988	113	115
Economic Labs. 4½pc 1987	84	86
Fidal 7½pc 1989	92	94
Ford 6pc 1988	84	86
Ford 5pc 1988	74	76
Fuji 6½pc 1985	108	[illegible]
General Electric 4½pc 1987	84	86
Gillette 4½pc 1987	78	80
Gould 5pc 1987	82	85
Halliburton 4½pc 1987	129	131
Harris 5pc 1992	87	89
Hitachi 6½pc 1984	102	[illegible]
Honeywell 6pc 1986	79	81
ITT 4½pc 1987	69	71
Komatsu 6½pc 1984	103	[illegible]
J. Ray McDermott 4½pc '87	134	136
Mitsui 8½pc 1989	140	[illegible]
J. P. Morgan 4½pc 1987	121	123
Motorola 4½pc 1983	126	128
Owens Illinois 4½pc 1987	89	91
J. C. Penney 4½pc 1987	83	85
Pioneer 6½pc 1989	133	135
Rand Selection 6½pc 1988	95	[illegible]
Rank 4½pc 1993	40	42
Revlon 4½pc 1987	98	100
Sperry Rand 4½pc 1987	87	89
Squibb 4½pc 1987	84	86
Toshiba 6½pc 1985	113	[illegible]
Union Carbide 4½pc 1982	107	109
Warner Lambert 4½pc 1987	95	97
Warner Lambert 4½pc 1988	80	82
Xerox 5pc 1988	77	79

Source: Kidder, Peabody Securities.

Baker Perkins forecasts improved results

ASSUMING NO further deterioration in business confidence, results of Baker Perkins in the current year should show an improvement, states chairman Sir Ivor Baker.

Unexecuted orders on April 1 stood at £37m., compared with £36m. at January 1, 1973.

Despite current problems the chairman believes that in the longer term, demand from the industries Baker Perkins serves, will continue strong and that it will grow in the developing countries of the world.

Many of the countries which comprise the group's traditional markets are in a state of recession and, with an uncertain outlook, the group's customers are tending to defer major capital expenditure until the future is clearer. This is unlikely to change in the group's sectors of those markets before 1976.

However, Sir Ivor says that the outlook for some overseas markets appears to be more favourable and, in particular, the substantial orders the group has obtained in the OPEC and certain Communist countries are encouraging.

In the 15 months ended March 31, 1975, profits amounted to £2.57m. (£2.83m. for the previous year), on a turnover of £77.55m. (£51.39m.). In North America Baker Perkins Inc. incurred a greater than expected loss of £1.4m.; and despite drastic economies and personnel reductions this sub-group is not expected to make any significant contribution to profit in the current year.

An analysis of sales and profit before interest by industries served shows (£000s omitted): food £39,596 (£26,645) and £2,509 (£1,550); chemical £10,664 (£7,669) and £105 loss (£504 profit); printing 3,402 (£3,801) and £151 loss (£180 profit); laundry £5,031 (£3,675) and £496 (£267); other £18,858 (£9,605) and £1,118 (£447). Income from associates totalled £626 (£501).

At June 6 Slater Walker Securities and subsidiaries together with investment and unit trusts and fully discretionary clients under its management were interested in 13.52 per cent. of the equity. This does not constitute a disclosure for the purpose of section 33 of the 1967 Companies Act.

Sir Ivor intends to retire at the annual meeting; Mr. I. H. G. Gilbert will take over as chairman. Meeting, Connaught Rooms, W.C., August 13 at 12.15 p.m.

● comment

The size of Baker Perkins' problems in the loss-making food and chemical machinery operations of North America comes through strongly in the group's report and accounts. These operations, which turned in a loss of £1.4m for the fifteen month period and of which £0.6m. relates to interest (about one third of the total group charge), account for 22.7 per cent. of the group's capital employed. Understandably, the Board is taking a cautious line on recovery prospects of North America—it has already been caught out once—and the statement that it "cannot be expected to make any significant contribution to profit in the current year" suggests that recovery is at least under way even if the time scale is not short. For the group as a whole the order book of £37m. at the year-end must be short in volume terms against the £36m. of fifteen months previous, while the market capitalisation stands at only £6m. at 33p.

BOARD MEETINGS

The following companies have notified dates of Board meetings to The Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below is based mainly on last year's timetable.

TO-DAY

Interims—Atlas Stone, Derby Trust, Hongkong and Shanghai Banking, Inveresk Group, Robert H. Lowe, National Westminster Bank, Taylor Woodrow, Yeoman Investment Trust.

Finals—Birmingham Mint, Craig Shipping, Illingworth Morris, Johnson Construction Equipment, Jones Stroud, Polly Peck, Roskill Holdings, Washington Investment.

FUTURE DATES

Interims—	
Allied Manufacturing and Trading	July 28
Bell Canada	Aug. 27
British-American Tobacco	July 29
Cable Trust	July 24
Leda Investment Trust	Aug. 1
Neil and Spencer	July 23
New Throgmorton Trust	July 23
Trident Television	Aug. 26
Trust Bank of Africa	Aug. 4
Vereeniging Refractories	July 31
Finals—	
Black (Peter)	July 31
Gnome Photographic	Aug. 3
Hales Properties	July 24
Howard Shuttering	Aug. 4
Midland Trust	Aug. 1
Peldasyne (Holdings)	July 23
Scott (James) Engineering	July 25
Steinberg Group	Aug. 8
Syltone	July 30
Ward and Goldstone	*July 24
Wilbank Colliery	Aug. 11
Young Austen and Young	July 24

* Amended.

Emray current year growth

Current year sales and revenue of Emray are ahead and, if maintained, should produce another annual profit increase, subject to economic conditions and import restrictions in Zambia, says the chairman, Mr P. H. Harman Jones.

As known group pre-tax profit increased from £303,053 to £454,115 in 1974. The existing business comprises the import and distribution in Zambia of Datsun motor vehicles and of office machinery, equipment and supplies.

Last year the chairman referred to the application to remit out of Zambia a dividend for 1973. This, he says, has been given effect during 1975 and a similar application has been made for a dividend for 1974.

The accumulation of funds so derived places the group in a stronger position to pursue the programme of diversification within the U.K. and Europe.

Oberon holds approximately 25 per cent. of the capital. Meeting, 26A, Davies Street, W, August 14, at 10.30 a.m.

Chairman's statement, Page 19

Solid base at Great Portland

THE END of the rent freeze will have a "fairly dramatic" effect on the figures for Great Portland Estates and the chairman, Mr. Basil Samuel, looks forward to presenting "a somewhat different picture" in the current year ending March 1976.

Rents receivable at £4.7m. in 1974-75 exceeded the previous year's figure by more than £200,000, but partly as a result of the rent freeze (which cost the company gross rental income of about £660,000), and exceptional repairs of £430,000 on the refurbishment of certain properties, the net revenue from completed properties at £1.12m. was lower by some £264,000.

Illustrating the "solid foundation" on which the company is based, Mr. Samuel states that at March 31, 1975, loans totalled just over £24m against assets of more than £71m.

Despite a recent improvement the directors believe that the property market is not yet sufficiently stable for them to commission a valuation of the group's portfolio. However, the accounts incorporate ad hoc valuations made in 1974 and 1975 in connection with the rearrangement of two debentures and a fixed mortgage, and they are satisfied that the present total value of the portfolio stands "substantially" above book value.

As reported on June 18 pre-tax revenue declined from £2.35m. to £1.42m. during 1974-75. Dividends are up from 2.9975p to 3.254p net.

Meeting, Cafe Royal, W., on September 3 at noon.

Chairman's statement, Page 19

WESTON-EVANS

Weston-Evans (Holdings), the engineering and packaging materials group, proposes to submit a resolution to change its name to Weston-Evans Group at the AGM at Manchester on August 14 at noon.

BIDS AND DEALS

Bensons Systems bid talks

BY MARGARET REID

A BID worth some £4½m.—well above the revious market valuation—is in prospect for Bensons International Systems, manufacturers of loose leaf ring fittings for stationery, from Esselte, a large Swedish group with interests in paper and office supplies.

Following a sharp rise in the share price, the Bensons Board said yesterday discussions were in progress with Esselte which were likely to lead to an offer of 190p a share. The price, which had risen 12p on Friday to 102p, leapt after the announcement to close 78p ahead at 180p, which compares with a 1975 low of 55p.

Indications last night were that the Bensons directors, who hold some 30 per cent. of the shares and who with their families and family trusts are thought to have a 50 per cent.-plus stake, will accept and back an offer on the terms indicated. The prospective bid price compares with the 95p at which the shares were floated in 1969.

The announcement appears to have been rushed out because of Friday's share price spurt, which continued yesterday morning.

Esselte, whose sales in the year to March, 1975, were worth some £140m., trades largely in Scandinavia—in Britain it already has a subsidiary, Modern Educational Aids. Bensons, based in Stroud, has reported increased profits for every year since it went public.

Yesterday's statement also said that in the event of a bid being made for the Ordinary shares, an offer would also be made for the 7½ per cent. convertible loan stock. The price of the stock jumped £60 to £113.

Brandts sells its Dreamland stake

Brandts has sold its holding of 855,500 Ordinary shares in Dreamland Group and no longer has any interest in that company.

Dreamland states that, as yet, there has been no official indication to whom this shareholding was sold.

ALDERMAN SECS

The 15 per cent. stake in Alderman Securities bought by the Real Estate and Investment Company of Jeddah, Saudi Arabia, was acquired from Menteith Investment Trust and not from Ahmed Abdullah, Raschid Abdullah and Osman Abdullah as indicated in the Financial Times on Saturday. Although the Abdullah brothers have relinquished their executive role in the group, which they bought into in February, they still have a 15.5 per cent. stake.

M & G sells Practical Inv. interests

The M & G Group, wholly owned subsidiary of White Drummond, is proposing to dispose of its interest in the Practical Investment Company to London Trust. Practical is the management company of the Practical Investment Fund, a unit trust with around £29m. invested in investment trust shares.

M & G's interest consists of 48,520 Convertible non-asset 5¼ 'A' shares—all the capital of that class—carrying the right to 34 per cent. of the net trading profit of Practical. The price being paid is £297,500 in cash. M & G will lose the contribution to its pre-tax profit this year (£32,000) but the cash sum will be a "useful addition" to working capital.

Practical is closely associated with stockbrokers Vickers da Costa and there are directorship links between all three companies involved in the deal.

SHARE STAKES

Allebone and Sons—Mr. A. Allebone owns 1,469,695 Ordinary (20.28 per cent.) and Mr. P. M. Allebone 1,729,333 shares (23.87 per cent.).

Included in both totals are 600,000 shares held by a trust of which Mr. A. Allebone and Mr. P. M. Allebone are trustees.

Cakebread Robey and Co.—Mr. H. G. S. Groves has bought a further 6,500 Ordinary to make a total holding of 88,000 shares (11.7 per cent. of voting equity).

London and Provincial Poster Group—Reed International purchased another 10,000 Ordinary to make its total holding 1,650,068 shares (47 per cent.).

Slater Walker Securities, its subsidies, etc., now have an interest in 842,500 Ordinary shares (10.88 per cent.) in Haden Carrier and an interest in 1,178,177 Ordinary (22.04 per cent.) of General and Commercial Investment. These are not disclosures under the Companies Act.

PLEASURAMA

Pleasurama announces that further to the statement made in its interim report dated June 26, the company issued a writ on July 18 against Chipps for specific performance of the shareholders agreement pursuant to the purchase notice issued thereunder.

MINING NEWS

Seltrust paves the way for a rights issue

BY KENNETH MARSTON

FROM THE point of view of the more impecunious shareholders in Selection Trust the notable news in the London mining finance group's annual report for the year to last March is that it intends to increase its authorised capital from £6.25m. to £7.5m. by the creation of 5m. additional shares of 25p. At present, the issued capital amounts to £5.79m. in 22.2m. shares.

Obviously, this move clears the way for the long anticipated rights issue. But now that the 55 per cent.-owned Agnew nickel venture in Western Australia has been put on ice owing to the ravages of inflation and a poor nickel market, there seems less urgency for new funds; Selection Trust says that there is "no present intention of issuing any of the new shares." Group borrowings at March 31 totalled £43.4m.

Holdings change

During the past year Selection Trust has reduced its shareholding in Southvaal from 10.6 per cent. of the latter's issued capital to 9.5 per cent. while the Western Mining interest has been lowered from 8.8 per cent. to 8 per cent. Consolidated African Selection Trust has become a wholly-owned subsidiary and Charter has restored its holding in Selection Trust to 31.12 per cent. The Amax-Standard Oil of California deal will lower Selection Trust's stake in Amax from 11.6 per cent. to 9.3 per cent.

So far as the current year's outlook for Selection Trust is concerned, CAST as a subsidiary could make a larger contribution to consolidated profits while income from the North Sea craneship "Thor" and the interests in Mount Newman Australian iron ore and America's Amax should be at least maintained.

But the fall in base-metal prices has already caused the Tsumeb operation in South West Africa to pass its first quarterly dividend. In all, Selection Trust should weather the year well while awaiting better times in 1976. The shares, backed by assets of £7.60 at March 31, were £3.40 yesterday.

ASA STILL LIKES TCL

The South African vehicle for U.S. investment in the former country's gold mines, ASA, was continuing its recent policy of staying put in its chosen investments during the quarter to May 31.

There were only small changes in the portfolio since February 28. These include increases in the holdings of East Driefontein, Western Areas, Zandpan, and President Brand. The former big holding in the last-named was expunged as long ago as May, 1973.

This leaves the major stakes in the South African gold-mining industry as, in order of size by market value, West Driefontein, Vaal Reefs, St. Helena, Southvaal, East Driefontein, Winkelhaak, and Doornfontein.

The major non-gold holding is Transvaal Consolidated Land which now far outstrips in value the former paramount stake in De Beers. At June 12 ASA's net asset value was R22.14 ($32.55) a share compared with R45.73 on March 13. In other words, it was much the same after allowing for the two-for-one stock split in May.

Geduld moves ahead of UCI

THE Union Corporation group's Geduld Investments has had a good half-year. Higher income from investments, which include a stake in the parent company, together with a recovery in share realisation profits has lifted net profits for the half-year to June to R1.55m compared with R0.97m. in the same period of last year and that year's final result, after write-downs, of only R0.58m. The 1975 interim is thus raised to 13 cents from 11 cents a year ago when the final was 23 cents.

The group's UC Investments has also increased its investment income despite a lack of dividends from the 11.89 per cent. stake in the now non-dividend paying Impala Platinum. Investment realisation profits have fallen but the UCI half-year net profit has been slightly increased at R5.13m against R4.98m. in the first half of 1974 when the total reached R8.43m. The interim is unchanged at 11 cents; last year it was followed by a final of 23 cents.

For both companies, however, the investment income outlook for the current half of 1975 is none too propitious in view of the difficult times still facing Impala and the squeeze between rising costs and a sluggish metal price for the gold mining investments.

Geduld, as its higher interim implies, may do better than UCI which could well catch up later when the hoped-for recovery in platinum comes about. In London yesterday Geduld were slightly easier at 385p and UCI closed 20p down at the same price.

ROUND-UP

Free State Development has declared a final dividend of 10 cents for the year to June. It makes a total of 14 cents (9p) compared with a single payment of 12 cents for 1973-74. The shares were 320p, down 10p, yesterday.

Heavy and extended earth tremors occurred yesterday on Bougainville Island in the Pacific Ocean. The RTZ group's Bougainville Copper company says that there has been no effect on production and no casualties have been reported.

Australia's Allstate Explorations thinks that there is still a chance that the $30m. Electrona ferro-silicon plant project in Tasmania could go ahead. Its partners are Consolidated Gold Fields Australia and the Government's AIDC. The Fesil company of Norway is still believed to be interested in the venture and will shortly start a further study thereof. Negotiations with Fesil had previously broken down.

On August 14 there will be an official opening of the Newfoundland Zinc mine at Daniel's Harbour where the concentrator started treating ore on June 29 towards a target production of 1,500 tons a day with a projected metallurgical recovery of 95 per cent. and a concentrate grade of 62 per cent. zinc. The first shipment is due in mid-September. The project is a joint undertaking by Canada's Teck Corporation and America's Amax with respective stakes of 63.4 per cent. and 36.6 per cent.

DENISON SETS A RECORD

The consolidated net earnings of Canada's Denison Mines for the first half of 1975 were a record $10.73m. equal to $2.35 a share and an increase of 67 per cent. over the $6.46m. for the same period of 1974. Uranium operations are ... factor in the improvement with higher net revenue resulting principally from the start of deliveries under the Spanish contract. A net increase was also obtained from the oil and gas operations.

The company's working capital was greatly strengthened by the receipt of advance payments totalling $36m. following Canadian Government approval of uranium delivery contracts to Empresa Nacional del Uranio SA and the Tokyo Electric Power company with another $5m. due on July 31 from the latter.

In view of the higher earnings and the "strong outlook for future operations" the annual dividend rate has been lifted from $1.40 to $2 a share as from the quarterly dividend paid on June 18.

MINING BRIEFS

UNITED TIN OF NIGERIA—June: Output of concentrates 175 per cent. grade: figures in tonnes: tin 7.375, columbite nil. Three months ended June 30, tin 16.375, columbite nil (same period 1974-75: tin 18, columbite nil).

KINTA KELLAS TIN—June output of Tin ore 28.9 tonnes (May 29.64 tonnes).

FINANCIAL TIMES SURVEY

Tuesday July 22 1975

ANGLO-SOVIET TRADE

The fortunes of Anglo-Soviet trade over the last ten years have tended to reflect the state of political relations. Now that these have improved, the tempo of trade is picking up, with UK exports nearly doubling in the first five months of 1975.

Trade follows the thaw

WHAT ROLE do politics play in the East-West trade? None, it used to be said in pre-detente days when it was enough for countries without diplomatic relations to exchange a few goods to prove that businessmen, like sportsmen, transcend politics. But more recent history has shown that politics play a big role and that trade's true potential, as opposed to routine exchanges, can only be achieved when the climate is good.

Nothing illustrates this better than Anglo-Soviet trade whose fortunes have closely followed the state of political relations between the two countries in the last ten years.

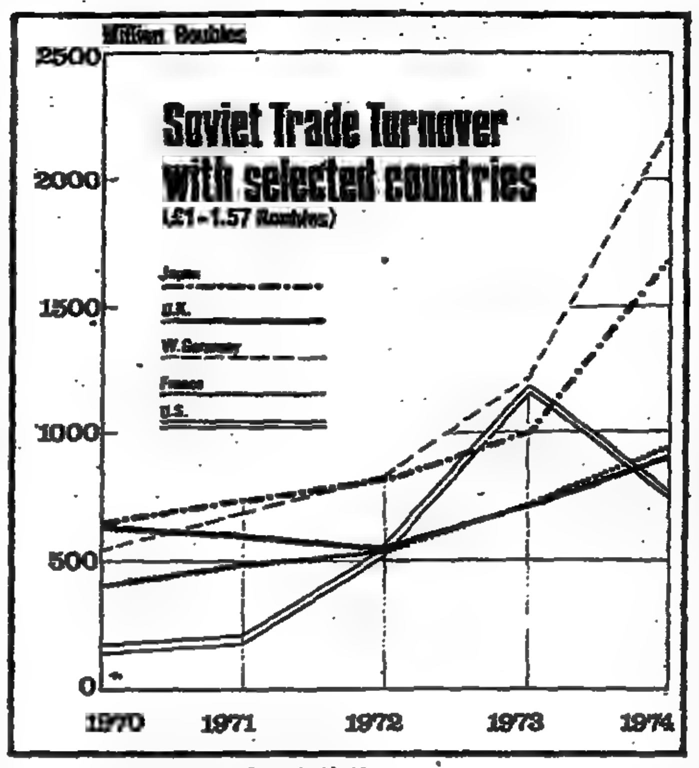
In the sixties, before the U.S., West Germany and Japan had normalised their relations with the Soviet Union, Britain was Moscow's leading western trade partner. The decline since then was partly due to Britain's economic troubles, partly to the bigger share of Soviet trade taken up by the newcomers. But a major reason was the deterioration in Anglo-Soviet relations which began not, as is usually supposed, with the expulsion of the diplomats in 1971 but with the events in Czechoslovakia in 1968.

The turnaround only came when relations had been restored to their pre-1968 level with the visit to Moscow earlier this year of the Prime Minister Mr. Harold Wilson. Suddenly, trade is picking up again at a remarkable pace, so much so that in the first five months of this year Britain's exports nearly doubled and the traditional surplus in the Soviet Union's favour was halved. In fact May brought Britain's first surplus on Soviet trade for many years.

True, this need not be a sign of Moscow's political favour, and trade circles will undoubtedly want to take some of the credit for their drive and initiative. But the growth in other western countries' trade with the Soviet Union has, on the whole, paralleled their improving political relations. And significantly the sharp drop in U.S.-Soviet trade last year came just as political relations were going through a pad patch with the Trade Bill.

British officials are now confident that the trends are good and strong, and that many of the traditional causes for complaint about the way the Russians treated British business have been eased.

The encouraging point is that Anglo-Soviet trade is now taking on a character of its own at a time when East-West trade is settling down to a new, more intensive, phase. British business is beginning to take fuller note of the Soviet market, and the Russians know what to turn to Britain for and what to expect. The structure of Anglo-Soviet trade is examined more fully on Page II of this survey but a few general points need to be made here.



Source: Soviet trade statistics.

First, Anglo-Soviet trade does not and is unlikely to consist of giant compensation and cooperation deals like those entered into by American, West German or Japanese firms. This is because our raw materials, especially energy, are generally obtainable from easier sources (an exception is timber, but more of that later) so there is no incentive to invest millions in Siberia.

Whether Britain's standoffishness on big deals is a bad thing is widely debated. Certainly, there has been no deliberate decision to keep out of them, more a lack of interest or understanding as to what they entail. Experience may prove Britain to have been shortsighted, but it is too early to say categorically that foreign companies now involved in giant deals have done the right thing.

A company closely involved in this debate is Rio Tinto which Moscow has invited to participate in the Udokan copper development in Siberia. Talks have been going on for years, but the company recently confirmed that it wants to limit any participation to a pilot plant. Any larger stake involving heavy investment in return for deliveries of ore has, apparently, been ruled out.

The largest known compensation deal involving British companies is the Ob River timber project being negotiated by a group including GKN, Barclays, Lazards and Price and Pierce. The outlay, which is said to be "very big" will be repaid in timber once the Ob forests have been opened up.

Second, the main potential for British sales appears to be small- to medium-sized contracts worth anything from £1m. to £20m. mainly in the fields of machinery, scientific equipment, chemicals and textiles, all areas in which the Russians have been buying for some time. Typical recent examples include British contributions to the fast-expanding Soviet motor industry by Lucas, Girling, Smiths Industries, Dunlop, and Simon Carves. Other contracts currently in the pipeline appear to bear out this trend.

This is not to say that big deals are out altogether. BP, for instance, is known to be negotiating a large protein processing contract and the company may also participate in oil exploration off the Soviet Union's Arctic coast. But such deals will be the exception rather than the rule.

Third, Britain has proved more resistant than other Western countries to co-operation deals under which payment is made in goods or other services. This may prove a mistake in the long run, partly because the Russians give preference to companies willing to do this type of business, but also because co-operation can lead to long-term business which, because of the stability of the Soviet economy, transcends Western trade cycles.

Quite why many British businessmen shun co-operation is something of a mystery. It may reflect conservative attitudes, or the belief that "co-operation" means dealing on terms dictated by the Russians. But Whitehall ministers and business leaders including the CBI have now taken up the cry, and it could only be a matter of time before habits change.

Stability

Would-be exporters might do worse than note the comparative stability of Comecon during the last two years which have taken a heavy toll on the west. Though not immune to the world crisis, Eastern Europe offers a source of business whose steadiness makes up for its complications and limitations. As Mr. Brezhnev pointed out to Mr. Wilson, this is also good for employment.

There have been many false dawns in Anglo-Soviet trade but this dawn looks brighter than most. The irony, though, is that just as the political climate is good, Britain's ability to launch a major export effort to take advantage of it is limited by its serious economic plight. Despite the Government's recent measures, cost escalation will be a major handicap in the coming period since understandably the Russians will not write open-ended cost clauses into their contracts.

There have already been signs that Britain is losing potential Soviet business because of its inability to compete. But even though Soviet trade accounts for only 1 per cent. of Britain's foreign dealings, this is clearly not business that we can afford to lose just now.

David Lascelles
East Europe Correspondent

How Moscow sees it

SOVIET STATISTICS show that last year the volume of Soviet-British trade grew by about a quarter, reaching a record level of 890m. roubles (£550m.). Moreover, it was the first time since 1970 that Soviet imports from Great Britain had risen. In view of the orders Soviet foreign trade organisations placed in Britain in 1974-75, especially for British machinery and equipment, one may expect a very considerable growth of British exports to the USSR in the current year.

The favourable changes in Soviet-British trade relations are a logical consequence of several practical steps taken in 1974-75 to develop and consolidate co-operation between our two countries. May I recall that for the first time in the history of Soviet-British relations a ten-year agreement on economic, scientific, technological and industrial co-operation was signed in the spring of last year. The third and fourth sessions of the Anglo-Soviet Joint Commission, which spotlighted the paths for further development, were held in London in May 1974 and in Moscow in May 1975 respectively. In 1974 the USSR and Great Britain signed an agreement on environmental protection in accordance with which a joint committee is now functioning. Big contributions were also made by visits to the USSR organised by the Soviet-British Chamber of Commerce—in particular, the visit of a chamber delegation in November 1974, comprising 114 representatives of British firms and organisations.

But the main factor stimulating the further development of Soviet-British co-operation were the talks between Mr. Leonid Brezhnev and Mr. Harold Wilson in Moscow last February. The whole range of state- and economic ties between the USSR and Great Britain was thoroughly examined and it was emphasised that mutually beneficial commercial links are an important element in relations between the two countries.

Taking in account the fact that now more than ever trade exchanges depend heavily on the growth of co-operation in the fields of production, science and technology, the Moscow talks produced two long-term programmes—in the field of economic and industrial co-operation and in the field of co-operation in science and technology. To boost British exports to the USSR, and also to help practical implementation of the long-term programme of economic and industrial co-operation, the USSR Foreign Trade Ministry and the British Department of Trade signed a fresh agreement on the granting by Britain to the USSR of credits for the purchase of machinery and equipment in 1975-79 to a total value of about 1.5bn. roubles (£900m.).

Long term

The signing of all these documents has placed Soviet-British economic relations on a level analogous to that attained in the USSR's economic relations with several other developed capitalist countries. But it should also lead towards greater long-term economic co-operation and the growth of productive capacities in both countries.

As Mr. Brezhnev stressed in his speech to Mr. Wilson, "the political climate and the technological and economic possibilities of our time now place on the agenda the mutually beneficial co-operation of our countries in many economic spheres on a bigger scale and over a longer period."

The specific directions of long-term economic and industrial co-operation are laid out in long-term programmes. In particular growth is envisaged in contacts between Soviet organisations and British firms in the construction, expansion and modernisation of industrial enterprises in Great Britain and the USSR, including the participation of Soviet organisations in the expansion of coal and steel production and in road-building in Great Britain, and the participation of British firms in the development in the USSR of the chemical, petrochemical, oil-refining, printing, light and other branches of industry.

Great attention was paid to expanding the most promising form of long-term large-scale

CONTINUED ON NEXT PAGE

Varied product mix

IT IS often assumed that British-Soviet trade consists largely of U.K. machinery and plant and associated licences and know-how for Soviet industry, while Soviet sales are of timber, furs, ores and other raw materials. The reality is that the product pattern has become more varied in recent years—in both directions. But there are sectors where business remains regrettably small: sales of U.K. consumer goods, sales to Britain of Soviet industrial equipment (whether as direct sales or under co-operation agreements).

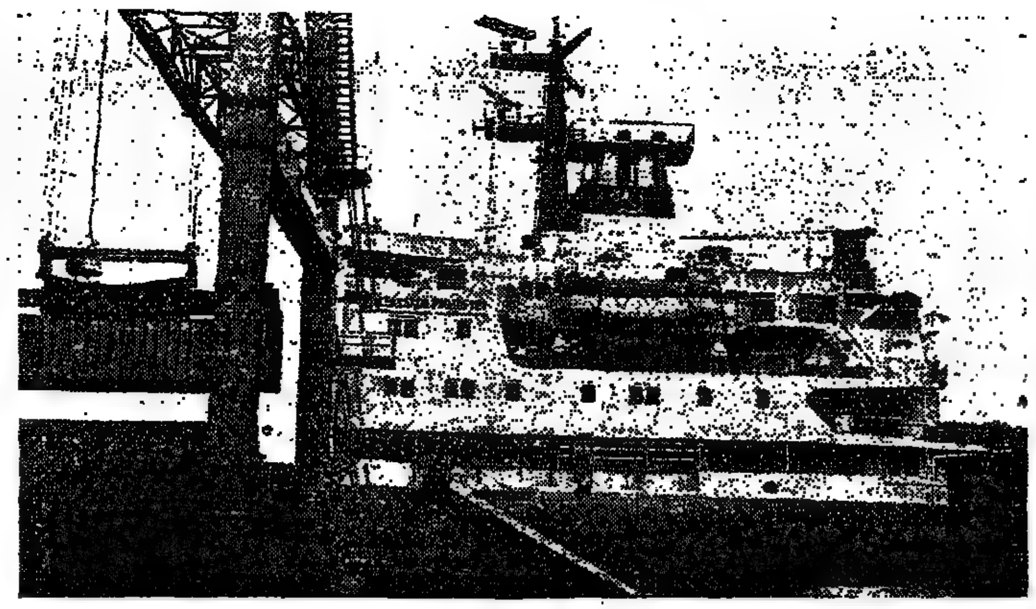
On the other hand, most British firms will judge the trend in Soviet-British trade by the extent to which U.K. firms are selling industrial equipment to the USSR. It is contracts in this area which hit the headlines and the general trends in Soviet purchases mean that this must for the foreseeable future remain the main area which U.K. firms will have to aim for.

The low level of trade in the past three or four years has clearly stemmed from the fact that in the early 1970's British firms were winning relatively few of the big plant orders placed by the USSR. The statistics show how relatively small were U.K. exports to the USSR of industrial equipment in 1974 (and even less than in 1973). In 1974 chemicals, fibres, and textile yarns and fabrics, accounted for nearly half British exports to the USSR.

But the new trend in trade with the Soviet Union since the beginning of 1975 shows dramatic changes. For reasons which are probably more complex than usually realised, British firms are now winning many more big plant orders from the Soviet Union. As Mr. Peter Shore, Secretary of State for Trade, said on his return from Moscow in May, current orders placed with U.K. firms for plant and equipment have doubled over the past 12 months from £80m. to £160m., while "potential contracts in an advanced state of negotiation" more than trebled—from £110m. to about £370m.

On the other hand, West Germany and Japan, and to a lesser extent France and Italy, have been well ahead in terms of major plant and machinery orders. This has been partly due to their greater readiness in the past to conclude contracts on a co-operation basis, involving linked purchases of Soviet products and this may remain a problem in some cases where British firms are bidding for major products in competition with firms from these countries. But other factors are in Britain's favour: improved competitiveness in many cases, availability of finance on a well-organised basis (with the support of the £1bn. credit line agreed in February), and the improved political relationship between Britain and the USSR.

Orders placed in the past year with British firms for equipment and plant have to a great extent been for machinery and technology in "traditional" sectors: chemical plant, equipment for fibres production, tyre factory equipment, pipeline equipment, etc. Negotiations have reached an advanced stage for contracts for pulp and paper processing plant, copper development, ethylene pipelines and metal-working machinery, among others. The long-term Co-operation Programme signed by Mr. Harold Wilson during his Moscow visit in February identified many sectors for business and the wide publicity it achieved helped bring to the attention of British industry both the specific opportunities and the fact that in the present situation in Soviet-British relations companies able to make serious proposals falling within these areas would find that the Soviet foreign trade organisations would give them due consideration and enter into negotiations.



The Aleksandr Prokofyev, a Russian container vessel at Tilbury Dock.

Equipment

Now, following Mr. Shore's visit other sectors have been added: agricultural development including equipment for meat and milk production and processing; food industry equipment; equipment for the aviation industry; nuclear power engineering; electrical equipment; chemicals for agriculture. In fact a considerable diversification in Soviet-British business during the next few years can be expected. This could involve:

—Growing U.K. exports in sectors like agriculture, nuclear technology and others where business in the past has been very small.

—Cooperation in third markets. The USSR has itself the capacity to supply industrial plant and know-how and there are situations where joint work with U.K. firms might be feasible, either where the situation in a third market might favour especially a bid from a U.K. principal (or indeed a Soviet principal in other markets)—or where the Soviet Union might be able to supply some equipment for a project in a West European country but where a U.K. firm could also be associated.

—Increased Soviet exports of industrial equipment and other manufactured goods to Britain. In 1974 (to take just one readily available breakdown of the trade figures) machinery, vehicles and the categories covering clocks, watches, cameras and optical and scientific equipment, together accounted for just over 4 per cent. of Soviet exports to Britain and the USSR obviously aims to increase this proportion.

Comments are sometimes made on the relevance of Soviet-U.S. relations to the development of business with the USSR by British and other West European firms. There seems to be no grounds for pessimism over this. In the 1970's to date we have seen a very rapid growth in Soviet-U.S. trade, followed by a rapid falling off—partly for political reasons and partly because of the consequent problems of availability of Eximbank credits, most-favoured nation treatment, etc.

Now the possibility of U.S. agricultural exports to the USSR again increasing may change the situation once more.

At present all this has clearly produced a situation where some business is being done by subsidiaries of U.S. firms in Britain or direct from the U.S. U.K. firms, and services such as banking, can benefit from this. However, what is more important is for U.K. firms (whether U.S. subsidiaries or not) to establish long-term relationships with Soviet foreign trade organisations, based on solid contracts which meet what both sides want. Here the changing position of the Soviet Union in international trade seems more important, in giving grounds for optimism about Soviet-British trade, than any estimate of the extent to which Soviet U.S. business might "take off" again and when this might be.

For the Soviet Union as a major producer and often a significant exporter of oil, chemicals, metals, timber and a vast range of other raw and semi-processed materials, is in a better financial position vis-a-vis its trading partners (both in the socialist countries and the Western industrialised countries) than ever before. At the same time, the problems which the Soviet economy faces seem increasingly to be those which arise in a sophisticated industrial environment and should offer increasing scope for U.K. business, and for industrial co-operation, supply of equipment against linked purchases of Soviet products etc. These problems arise especially from the exploitation of vast natural resources because of geographical, climatic or labour supply difficulties; decisions on priorities in R and D; the pace of application of technology in industry; and the acquisition of technology from abroad which may have been developed in a quite different industrial situation.

R. T. Anthony

London Chamber of Commerce and Industry.

BRITISH EXPORTS TO USSR (£ MILLION)

	1973	1974	Jan.-May 1974	Jan.-May 1975
Textile fibres, yarn & fabrics	15.9	24.7	8.5	10.0
Chemicals	15.3	26.6	7.7	19.7
Iron & Steel	6.9	10.7	3.1	6.4
Machinery, vehicles, scientific & controlling instruments, etc.	45.5	34.4	15.9	27.6
Other goods	13.8	13.6	4.4	7.2
TOTAL	97.4	110.0	39.6	70.9

BRITISH IMPORTS FROM USSR

	1973	1974	Jan.-May 1974	Jan.-May 1975
Furs, skins	10.0	10.1	2.5	3.5
Timber	57.4	89.0	11.8	5.3
Petroleum	7.0	27.7	9.4	7.7
Non-metallic mineral manufactures incl. diamonds	168.0	170.0	85.3	64.2
Iron & steel & non-ferrous metals including ores	37.8	28.8	11.3	9.5
Machinery	4.7	6.3	4.1	3.0
Vehicles	5.8	6.2	2.6	2.8
Watches, cameras, instruments, etc.	2.3	3.9	2.0	1.6
Other goods	38.4	53.5	23.7	21.4
TOTAL	331.4	395.5	152.7	119.0

Moscow

CONTINUED FROM PREVIOUS PAGE

co-operation — the participation of British firms in the opening up of natural resources in the USSR and in the construction of industrial enterprises on a compensation basis, that is to say, with payments for equipment and licences by deliveries of the products of those enterprises.

Also envisaged is the development of such relatively new forms of co-operation as joint production.

Commission

At the fourth session of the joint commission it was noted that negotiations were being conducted in virtually all the directions of co-operation specified in the programme. Notable progress has been made in negotiations on constructing chemical industry enterprises in the USSR, including plants for producing bisphenol, monomers of chloroprene, polyethylene, synthetic fibres and raw materials for their production, enterprises of the aviation, printing, textile, cellulose—paper and timber — processing industries, as well as the construction of an experimental installation at the Udokan copper deposits in Siberia. Many listed projects have already been implemented in practice. One may mention the construction in the USSR of a plant for producing low pressure polyethylene with an annual output capacity of 200,000 tons with payment for know-how and plant equipment by deliveries from the Soviet side of polyethylene which will be produced when the plant is built. Of importance for the successful establishment of long-term Soviet-British co-operation in the field of nuclear power is the contract for the enrichment at Soviet enterprises of uranium supplied by British customers in 1980-89.

As regards the development of production, co-operation one may mention the contracts existing between Soviet organisations and several British firms for supplying particular components for motor vehicles produced in the USSR, as well as the agreements on the supply to Britain by the Soviet Union of special electric motors for complementing copying machines.

The implementation in practice of the long-term programme for the development of economic and industrial co-operation can be a splendid stimulus to a further substantial development of Soviet-British trade and economic links. The expansion of these links on the basis of equality and mutual benefit, an expansion which corresponds to the interests of the peoples of our two countries, would give material substance to the political relations developing between our two countries and would be a great contribution to the further development of co-operation on the Continent of Europe.

V. Cheklin

Head of Department for Great Britain and Australia, USSR Ministry of Foreign Trade

Trade growth exceeds target

SOVIET foreign trade this year will be roughly double that of 1971, the first year of the current five-year plan. High prices for raw materials, of which the Russians have taken full advantage, and Western inflation account for much of the unexpected growth in turnover, which was originally planned to increase by 33 per cent. over the five-year period. But Soviet specialists maintain that the growth in volume and nature of trade has also exceeded expectations.

The most important factor behind this dramatic growth is the change in the Soviet attitude to foreign trade and in particular to trade with capitalist countries. Trade with the industrialised capitalist countries last year was two and a half times greater than in 1970 and accounted for 31 per cent. of total trade, against 21.3 per cent. in 1970. Trade with the Comecon member countries, where prices remained comparatively stable until this year, grew by just over half and accounted for 49 per cent. of the total, against 65 per cent. in 1970.

The detailed 1974 figures, just published, show that the composition of Soviet trade is also changing. Exports of oil and oil products were worth 4.4bn. roubles against 2.4bn. in 1973, although 2.1m. tons less were actually sold. Fuel and electric power are now the biggest export items accounting for over 25 per cent. of exports against only 15 per cent. in 1970.

Machinery and equipment still account for over a fifth of imports, but purchases of machine tools actually declined by 10 per cent. last year from 388m. roubles in 1973.

Consumer goods including food and raw materials for production accounted for about 40 per cent. of last year's imports. Manufactured consumer goods made up less than 15 per cent. of total imports, less than in 1970, but purchases of equipment for this sector have risen sharply in value terms, trebling the 1973 level.

Trade with the West used to be seen as permissible only in so far as it could help the Soviet state to build up its heavy industry and was regarded as a short-term necessity. Hard currency could be used to buy machine tools but Stalin's wife, when asked by her husband where she bought her new cardigan, was too frightened to say that it had been given to her by a relation who had been in England and lied that it was Soviet-made and bought in Moscow. Even for a few years after Stalin's death the signature of the Prime Minister was needed for anyone to receive more than a hundred dollars for a business trip abroad.

The first break was made when gold was sold to buy food in the West in the late fifties. Such action now would cause little worry. The agreement with Fiat for the construction of the Togliatti plant which involved Italian credits and the sale of oil was another major step. The later understanding of the potential value of Soviet oil and gas resources and the idea that they could pay for Western, and particularly American, technology put an even rosier light on trade with the West.

As a result, hard currency and gold are no longer held in such awe and the Russians are becoming easy spenders in some ways. Between 60 and 70 per cent. of the cost of hotel construction for the 1980 Moscow Olympics will be paid in hard currency. The Soviet Government has bought well over a thousand Mercedes and BMW cars for the police force and officials.

Joint industrial projects with part or whole payment in the goods produced are nevertheless still seen as the best way to inject Western technology and expertise into important fields such as energy and fuel. Negotiations on a number of projects have proved more difficult than expected, often for political reasons, but a number are under way, such as the Kostomuksha ore dressing plant under construction in Karelia by Finland. Rio Tinto-Zinc is considered the most likely partner for the Udokan copper mines in East Siberia which have been under discussion for years, although the Soviet Union would probably have preferred to give the contract to a country with which it was more politically involved.

Increased hard currency earnings have also not affected the Soviet thirst for Western credits, which officials say will be sought as before.

Internal politics are largely hidden but no secret is made of the fact that trade is considered highly political. The Russians appear to feel that the Americans, by linking the granting of normal trading status with Jewish emigration from the Soviet Union and doing so publicly rather than privately, have acted far more crudely than anyone would have expected—or they themselves would ever do. As a result they hint loudly that they would have been prepared to reach a secret understanding with the Americans and are more open about their own use of trade as a political tool.

As for East Europe, trading relations are currently undergoing serious scrutiny. The Russians are clearly concerned about the export earnings they were losing under the old Comecon pricing system which forbad them to raise the price of oil before next year. True, this was remedied by bringing the price rises forward a year, but the move produced other headaches in the form of Soviet clients' balance of payments difficulties, proving that Comecon-style mutual dependence is far from straightforward.

One of the criticisms of trade with the West from within the establishment is that by importing from abroad or selling oil during the energy crisis the Soviet Union is helping to postpone the fall of capitalism. Perhaps partly because of this reasoning the Soviet Union sometimes seems to consider trade a gift to be bestowed on those who behave.

Reward

West Germany is now the Soviet Union's largest Western trading partner, with a turnover last year roughly two and a half times that of Britain. In many ways West Germany is the natural trading partner for the Soviet Union and has been able to offer the best terms in the recent inflationary years even without extensive cheap government credits. During the first years of Herr Brandt's *Ostpolitik* the Russians openly spoke of large orders for West Germany as a reward for diplomacy. The latest agreements on gas sales and plans to supply West Germany and West Berlin with electricity from atomic power stations in Kaliningrad built with West German know-how are highly political, involving three-sided talks with East Germany, through which the electricity must pass.

Britain's fall in the share of Soviet trade from the leading West European trade partner in 1970 to fifth place in 1974—and with a large imbalance—was largely due to poor competitive terms and the natural rapid growth of trade with countries such as West Germany and Finland. But the Russians like to give poor political relations as one of the reasons and it cannot be denied that the work for the present growth in trade, which has only just begun to show in the figures, was started when relations improved after the British Foreign Minister's visit to Moscow at the end of 1973, and returned to normal last year.

Political considerations are often enough to sway the balance in favour of one party or another if the terms are fairly similar. They are more often the prime factor in the purchase of consumer goods, where the choice for the Russians is immense.

Japan is another natural trading partner and there is no doubt that the Russians are sincere in saying that joint Soviet-Japanese development projects in the Soviet Far East would be mutually advantageous. It is also clear, however, that direct Japanese involvement would be a political success for the Russians in their dispute with China and fear of a Sino-Japanese alignment.

The Soviet State, and the man in the street too, have benefited from the more active trade policy with the West. People no longer worry so much about the state of the harvest and agriculture as they know that the Government will buy abroad rather than allow severe shortages. The increase of Western goods for sale is very noticeable and many Soviet plants have improved the quality of their output through the use of Western machinery and processes.

The Russians have lost their fetish for hard currency and no longer see trade with the capitalist countries as a short-term necessity but as sufficiently beneficial to all concerned to warrant further expansion. They have been advised by Western politicians that their best course would be to reduce the Red Army by 1.5m. men and make the rouble convertible. The former idea would take years to become acceptable in some quarters, although it is said it would make little difference in this nuclear age. The latter would be too much of a risk for many but it is interesting that it is being seriously discussed.

Moira Cunynghame
Moscow Correspondent

The Soviet economy

AT THE end of this year there will be much jubilation and self-praise at the successful completion of the five-year Plan before the workers are quickly given a new set of targets and slogans and urged to work more efficiently in order to fulfill and overfulfill the next Five-Year Plan. There will be promises of a sharp increase in the standard of living and a lot will be written and said about the achievements of the last five years.

There will be some justification for this as the published figures are impressive: in the first four years the national income grew by 26 per cent., industrial output by 30 per cent., per capita real incomes by 19 per cent., the production of motor cars more than trebled, retail trade grew by almost a quarter and over 9m. new flats were built. What the figures and speeches will not dwell on is the fact that almost all the original main targets of the Five-Year Plan will not have been met and, most important of all, the production of consumer goods will not have risen by anything near the 48.6 per cent. promised.

During the last four years the production of consumer goods rose by 29.8 per cent. against the planned 36 per cent. and the increase this year would have to be 14 per cent. instead of the planned 6 per cent. if the original plan were to be met. The priority to be given to the production of consumer goods, Group B, over capital goods, Group A, was the most publicised aspect of the Five-Year Plan as it was a departure from the past.

Easier

If the targets were somewhat too ambitious it really makes little difference to the average person. What is important to him is that he is perhaps a little better off financially and life has certainly got easier during the last few years. There are more and better goods in the shops and he can relax with the sure feeling that things will continue to improve even if more slowly than he or his Government would like.

Stability is the great achievement of the Soviet economy but the accompanying inertia is not. The Prime Minister, Mr. Kosygin, was asked last year why the standard of living was so much higher in some Western countries. His reply was to ask the people if they could work as hard as their Western counterparts. There were no more questions or complaints.

What is probably far more worrying to the planners and officials than the discrepancy between what is planned and what is accomplished are the underlying reasons. Few of the problems are new, which makes them worse, and they cannot be ignored as they affect almost every aspect of the economy.

The debate over decentralisation versus centralisation continues and the question is complicated by the number of interested parties. As well as the Government apparatus with the union ministries in Moscow and republican ministries throughout the country the party has its own economic departments at both national and regional level.

The latest attempt to solve the problem was the decree issued two years ago requiring all enterprises to be reorganised into large industrial associations which would be self-financing and take on themselves a lot of the planning work and supervision done from Moscow. Only one of the ministries, the Electrotechnical Ministry, has worked really hard to implement the decree.

Retiring

Most changes are hindered by the middle-level bureaucrats who see them as a threat to their own position. One hopeful aspect is that the older generation, many of which hold their jobs because of their long service to the Government and party and have no special education, is gradually retiring and being replaced by younger people with specialised education who realise that more than devotion to the party and country is needed to do the job well.

Factory and plant directors are often of a high calibre, but there is a saying among them that initiative is punishable. Lack of incentive leads to lack of initiative anyway but in some specific cases where initiative has been allowed it has ended in punishment.

A farm director took on a collective farm near Alma-Ata which was unprofitable and was given a free hand to do pretty well what he liked. Within a few years the income was four times greater and there was a list of prospective workers. The director had replaced few of the workers who had left and with a higher income and fewer workers everyone was happy with their share of the extra profits. Other directors in the area naturally grew to dislike him and he is now in prison for "violating financial discipline" although everything he did was in aid of the farm as well as himself.

Another old problem which makes havoc of the plans and is mentioned in every speech on the economy is the slow commission rate of new plant. Economists have suggested that too much attention is paid to the growth in investment funds and that equal stress should be put on the value of projects completed in any given period. This could cause embarrassment in some quarters as the value of uncommissioned plant is rarely mentioned in public.

Young economists have also recently begun to attack strongly the practice of arranging competitions between groups of workers to see who can fulfil the plan first, urging workers to fulfil the plan ahead of time or complete certain targets before such anniversaries as May Day and Revolution Day. All this, they say, does more harm than good as it disrupts the economy and often causes artificial shortages of materials.

None of these problems are new but they are worth mentioning because of their effect on future plans. Most stress in the next Five-Year Plan is expected to be on increased energy production and economy although the consumer will also be given more attention than in the past.

Moira Cunynghame

The practical aspects

THE NEWCOMER to trade with the Soviet Union and the businessman who has already done a small amount of business and is looking to expand on this are the people to whom this practical guide is aimed.

For the absolute newcomer to Soviet trade, I would advise that contact be made with the Soviet Trade Delegation in London (address: 32, Highgate West Hill, London, N.6; tel. 01-340 3272), giving details of the company's products or services, its activities and general background information, enclosing a balance-sheet if possible and, of course, literature on the products or services it has to offer.

Similar letters should be sent to the Department of Trade (Commercial Relations and Exports Division) (address: 1, Victoria Street, London, S.W.1, tel. 01-215 7877), to the British-Soviet Chamber of Commerce (address: 2, Lowndes Street, London, SW1X 9ET, tel. 01-235 2423), and to the East European Trade Council (address: 21, Tothill Street, London, S.W.1, tel. 01-930 6711), as these three bodies can be of invaluable assistance.

There are also a number of publications on the subject of trade with the Soviet Union, a particularly good one being "Hints to Businessmen — U.S.S.R.," published by the British Overseas Trade Board and obtainable from the Department of Trade, Export Services Division, Export House, 50 Ludgate Hill, London EC4M 7HU; tel. (01) 248 5757.

Foreign trade in the Soviet Union is channelled through a number of foreign trading organisations, and the name of the one most appropriate to your company's products can be obtained either from the above-mentioned booklet or from one of the three organisations named. Write to the relevant foreign trade organisation in Moscow, detailing your products and enclosing literature—in Russian, preferably. I would stress the importance of giving accurate information on the technical aspects of your product or service, and of avoiding exaggerated claims. Your contact at the Soviet Trade Delegation should be kept informed as to your correspondence with the foreign trade organisation—by copy-letter if necessary.

A visit to the Trade Delegation should be arranged, where you will receive helpful guidance. The official there will be able, in general, to advise you as to the acceptability of your product in the Soviet Union and will let you know whether he feels there is sufficient market potential to warrant further investment.

Replies to your letters to Moscow may take a very long time, but I must say that this is not discourtesy on the part of the foreign trade organisation. These organisations deal with a wide range of products from all over the world and are often, in my opinion, understaffed. It is therefore impossible for them to deal promptly with all the enquiries they receive. However, it should be possible for you to establish whether you will have a chance of success in Soviet trade, after having contacted the Trade Delegation, Department of Trade, and the British-Soviet Chamber of Commerce.

Inevitably, it will be suggested to you that you exhibit your products at an appropriate Trade Fair. This could be a major industrial exhibition, at which representatives from many countries will be present, or it could be a specialised exhibition concentrating on a particular sector of industry. My preference has always been for attending specialised exhibitions, as I feel that firms participating derive greater benefit than if they participated at exhibitions covering a wide range of products and services. Exhibitions are organised frequently through organisations which have become specialists in this field, and after submission of your application to exhibit they will very likely inform you if they feel your chance of doing business is slim—thereby saving you what could be a considerable amount of money.

The question of advertising in the Soviet Union must be considered at an early stage in your attempt to enter the market. One can advertise quite successfully in the Soviet trade Press, and I would suggest that advertisements are placed well before an exhibition takes place, mentioning that your products and representatives will be present at the exhibition. The Soviet advertising agency, Vneshtorgreklama (address: Ulitsa Kakhovka 31, Moscow M-461; tel. 121 04 34) can provide information on copy dates, costs, etc. Your advertisement should, naturally, be in Russian.

I would not recommend that you spend a great deal of money on your first attempt at exhibiting, but do concentrate in illustrating the technical aspects of your products, and ensure that an adequate supply of literature in Russian is available to hand to visitors to the stand. It is not always easy to identify an important potential customer, and I would advise you to give equal attention to all inquirers—even if a visitor seems young and inexperienced. He may have been sent to the exhibition to collect information to pass on to his superiors, who may call on you later in the exhibition.

At this point, I would like to mention the staff of the Commercial Section of the British Embassy in Moscow (address: Kutuzovsky Prospekt 7/4, Moscow G-248; tel. 241 1033/4). This section is one of the most hard-working Commercial Departments of all the embassies I know. Though in my opinion they are understaffed, they do make every effort to promote British products and to assist British businessmen. They will visit British firms exhibiting in the Soviet Union, and will arrange to discuss your company's prospects with you in their offices.

The sheer size of the Soviet Union makes it very difficult for a company to penetrate to all potential end-users in the various republics, and at an exhibition in Moscow you cannot expect to receive visitors from all parts of the Soviet Union. This is where widespread advertising is effective and also another method of market penetration which my own company, Rank Xerox Ltd., has tried and found successful—lectures, and seminars. The Chamber of Commerce and Industry in Moscow, Ulitsa Kuibysheva 6, Moscow; tel. 221 0811, with which the British-Soviet Chamber of Commerce has close connections, will be able to assist in arranging seminars, and Vneshtorgreklama, the Soviet advertising agency, will be able to help with promotion. It is not always necessary to take a sample of one's products along—films, slides, literature, and interpreters can suffice. Rank Xerox is, of course, well known to-day throughout the Soviet Union, but we still carry out an extensive series of lectures and seminars on our range of products—with great success.

It is a very lucky firm indeed which goes to its first exhibition and comes away with an order. It is possible that some of the products on your stand may be sold during the course of the exhibition but further business may take some time. Because of the planning system, the Soviet authorities do not have surplus money to spend in large quantities on products they see at exhibitions, and they may wish to buy one or two products from a stand in order to evaluate them.

Whether your product is sold from the stand or a sale is finally negotiated at the Ministry of Foreign Trade, it is essential to pay very careful attention to the clauses in the contract of sale. You will undoubtedly be presented with a preprinted contract by the Soviet authorities, detailing certain terms and conditions. These terms are negotiable and it is best to study these closely and establish required changes before signing the contract with the authorities, as it can be impossible to revise a contract later. Never underestimate the officials with whom you deal at the Ministry—they spend every day negotiating with firms such as yours, and are experts. It is a good idea to study copies of typical contracts, and these may be seen at the Department of Trade, the EETC, or the British-Soviet Chamber of Commerce. If the terms and conditions are unsuitable for your business, have your arguments and alternatives ready before you go to the Soviet Union.

If you encounter delivery problems or other contingencies, it is as well to be completely honest and straightforward with the Soviet authorities. They will respect your honesty and will assist wherever possible.

For the newcomer to Soviet trade or for the experienced businessman, the various trade missions to the Soviet Union provide useful contacts as well as providing a saving in the costs of travel and accommodation. The British-Soviet Chamber is currently organising such group visits to Moscow during the course of the year, and details are obtainable on application to the Chamber. To join one of these missions you must become a member of the Chamber. During these missions appointments can be arranged with the relevant Soviet organisations and introductions effected by Chamber representatives, where necessary.

Gordon Planner
Chairman of the Executive Council, British-Soviet Chamber of Commerce.

Export credits welcomed

WHEN Mr. Harold Wilson came back from Moscow in February with the £950m. export credit deal he had negotiated with the Russians, he got a mixed reception. Some people welcomed it as a useful boost to trade, others denounced the generously low interest rates of around 7.2 per cent. as a give-away, and some coolly pointed out that it was meaningless since Britain would have advanced this much credit during the deal's five year term anyway.

Mr. Wilson himself defended it as a fact of life in east-west trade, and on the whole he must have won the support of British businessmen wanting the best possible terms for their sales to Russia, since few complaints were heard once the initial rumpus died down.

But the interesting point about the deal was that it came just as the Russians' terms of trade had improved beyond anything they had known before, strengthening their purchasing power and, one might have thought, reducing their need for credit. But this was plainly not the case, as the Soviet Foreign Trade Bank's subsequent forays into the Euromarkets for a total of $350m. showed.

What are we to make of this apparent paradox?

The Russians know as well as any western banker that borrowing money at 7.5 per cent. in present market conditions makes sense. As the head of the EEC's Export Credit Department, Liliana Archibald told a recent London conference, these credits are free or even at negative cost once inflation and depreciating currencies are taken into account. The Russians had played their cards very well over the British credit deal, she said, and recent estimates suggested that the Soviet Union had received over $1,500m. in export credits in 1973, 50 per cent. more than in 1972.

As for the Eurocurrency borrowings, the first by the Foreign Trade Bank, the terms of around 1½ per cent. over LIBOR put the Soviet Union among the very best borrowers and also incidentally, enable it to redeposit the money in the Euromarkets if it wishes. Evidence that it might have been doing this appears in Bank of England figures showing that the sterling liabilities of banks in Britain to the Soviet Union at the end of 1974 exceeded their claims, by £594m. to £522m. This has happened before, but to nothing like this extent.

Compete

But neither of these forms of borrowing—expert credits and Eurocurrency loans — necessarily confirm that Moscow is short of cash. The terms are so good that any would-be borrower would be foolish to forego them, and they are likely to remain good so long as western countries continue to compete among themselves for Soviet business.

More indicative of a need for credit is the persistence with which Moscow is now pursuing money. All top level contacts with western governments get round to credit sooner rather than later and demands for credit are made in all commercial dealings. The Foreign Trade Bank's sudden arrival on the scene for two loans with more expected (total borrowings of $1bn. have been predicted) also bespeaks a need for money.

This seems to bear out findings published by the Financial Times earlier this year that 1974 brought the Russians a surplus of less than $200m. on their trade with the west, despite predictions of ten times this figure.

The best explanation for the paradox is that Moscow's plans, spurred possibly by its new purchasing powers, have expanded even faster than the power itself, and that while more deals will be concluded in cash to give foreign trade policy greater flexibility, the gap between desires and the ability to pay is even wider than before.

Bankers admit to being puzzled by this paradox, but not to the extent of questioning the Soviet Union's creditworthiness, witness the excellent terms it obtained on its loans. However, there are growing demands for information about what the money is for, and Soviet banks could in future be asked to relate their borrowings to specific projects.

Little is yet known of the Russians' plans in the next Five Year period starting next year, but there seems to be a connection between the Plan finalisation that must currently be going on in Moscow, and the Trade Bank's increasingly bold market-testing operations. The Russians want to know how much money they will get, and what therefore they can put in the Plan.

According to Mr. Wilson, the credit deal has put British business on an equal footing with other western competitors for a share in orders emanating from the next Five-Year Plan. In formal terms, though, it puts them several paces in front. The only other western country to have a deal of similar proportions is France. Japan negotiated a package a year ago for around $1bn., but apart from being smaller this was closely related to Siberian energy projects. West Germany does not have such a deal, and U.S. plans to advance the Russians' credit were hobbled by the Trade Bill.

In reality, of course, these deals are not as impressive as they look because the giant total figure represents the sum of likely exchanges over several years. Also, most countries are able to advance export credit whether or not a formal "umbrella" has been negotiated.

So far, only £7m. of the deal has been taken up. But these are still early days. Meanwhile, the presence in Moscow of three British banks, Barclays Tozer, Natwest and Moscow Narodny with LBI and Midland due to open up later puts some punch behind the credit package and should ensure that better use is made of it than the £200m. package offered by the Conservatives of which only £80m. was taken up.

David Lascelles

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Market reacts after early gains

BY OUR WALL STREET CORRESPONDENT

NEW YORK, July 21.

STOCKS were moderately higher at first but reacted in later trading. At 1 p.m. the D-J Industrials Average was off 5.56 at 856.85. Transports were off 0.16 at 170.64, Utilities up 0.16 at 83.46; and stocks were off 1.03 at 261.74.

Stocks declined from earlier levels, but still showed a firm undertone.

Kopper, a firm spot, rose $2½ to $73¾ after a delayed opening.

Pan American World Airways, the most active stock, fell $¾ to $3¼ on 216,500 shares following reports from Tehran that Iran has decided to withdraw its projected $300m. investment to help the air carrier.

Du Pont, which had been up a point in early trading, showed a net decline of $1½ at $122½ in later trading. The chemical giant reported sharply lower earnings for the second quarter.

U.S. Steel lost a point at $58¾ amid some unfavourable comment on the industry in a published report.

Prices on the American Stock Exchange were slightly higher in moderate trading. The Amex index gained 0.02 to 95.69, while advances led declines by about 100 issues. Turnover approximated 1.50m. shares.

Craig Corporation, a volume leader, gained ½ to $6½. Last week it reported improved earnings.

Less active OEA Inc. picked up $1⅜ to $7½. The chairman, Mr. Ahmed Kafadar, said he expected a "good" year, but declined to predict results for the year ending July 31.

Buffalo Forge rose $1½ to $27.

Textron, which reported lower quarterly earnings, fell $1⅛ to $23⅞.

Burlington Northern eased $¾ to $35⅜. It reported a loss for the second quarter against a profit a year earlier, and also voted to omit the quarterly dividend.

Xerox, which said it will report second quarter profits early in the week, lost $1⅝ to $65⅞.

Closing prices and market reports were not available for this edition.

OTHER MARKETS

Canada brighter

Stocks moved slightly higher in light mid-day trading.

The Industrial Share Index was up 0.34 to 193.60; base metals up 0.12 to 82.03; Western Oils up 0.13 to 198.88, Papers up 0.06 at 115.08. Golds were off 8.82 at 380.89; Utilities off 0.11 at 132.51; Banks off 0.79 at 279.15.

Advances led declines 119 to 95. Leading industrial mines ran mixed on low turnover. Falconbridge Nickel rose $¾ to $36½ and International Nickel "B," with a new labour contract for Ontario ratified, lost $⅛ to $28⅞.

Northern Electric, with good first half earnings, rose $½ to $31⅞. Molson Company "B" fell $¾ to $19½ and Four Seasons Hotels, the most active industrial, lost 5 cents to four cents.

Volume was 768,499 shares compared with 626,077 shares Friday.

PARIS — Stocks showed widespread gains, stimulated by the abolition of the second part advance payment of the Government's tax on inflationary turnover rises, and the fall in call money rates.

Banks, Investments, Foods, Drinks, Constructions and Metals gained. Motors advanced, and Hotels, Chemicals and Stores were higher. Electricals were mixed and Oils fell.

Americans showed little movement, but Germans, Dutch, Belgian and Canadian stocks gained. Golds eased.

BELGIUM—Markets were closed for the national holiday.

OSLO—Banks were steady. Insurances quiet, Industrials steadier and Shippings easier.

VIENNA—Resistant in quiet dealings. Industrial leaders were slightly firmer, losses and gains about equal in Breweries and Constructions and other sections little changed.

COPENHAGEN—Firmer in moderate dealings. Banks and Communications were generally higher. Commodities also gained while Industrials were about unchanged.

SWITZERLAND — Generally steady in dull trading, due to the holiday season and lack of new incentives.

Leading banks and financials were barely changed except for Juvena Bearer and Motor Columbus which improved slightly. Oerlikon-Buehrle-Bearer closed barely steady.

Rueckversicherung and Zurich-Versicherung improved among insurances.

Industrials were little changed except for Alusuisse Bearer which eased more markedly.

State bonds remained steady to barely maintained.

Dollar stocks edged higher in moderate turnover. Dutch internationals firmed slightly apart from easier Unilever. German stocks ruled narrowly mixed with a firmer bias.

MILAN—Mixed, above the day's lows, in cautious trading influenced by the uncertain domestic political and economic climate.

Fiat lost a little ground after first-half sales figures. Also lower were Montedison, both Olivettis, Anic and Snia Viscosa, while both Pirellis, Generale Immobiliare and Assicurazioni Generali ended higher.

Bonds were lower despite support buying.

GERMANY—Firmed on increased foreign interest and the strength of the U.S. dollar, after a quiet opening with some position squaring.

Stores again headed the upturn with Karstadt rising DM14 and Kaufhof DM7.5. Engineerings firmed, led by GHH's DM8 rise, while Banks generally rose. BASF led leading chemicals up to DM2 higher. Leading utilities dropped, but others were just maintained. Motors and Electricals rose overall.

On the bond market, public issues were offered more heavily, and the regulating banks had to buy DM18.2m. nominal worth of paper. Prices of both public issues and mark foreign loans were maintained.

TOKYO—Shares fell on selling by margin traders. The market average declined 73.99 to close at 4,303.38 with volume 100m. shares. SE index closed at 317.86.

HONG KONG—Closed slightly easier in very thin trading.

A wait-and-see sentiment dominated the day ahead of tomorrow's announcement of Hong Kong Bank's interim results and due to the lack of new features on the market.

AUSTRALIA—Dull trading, with continued support for Uranium Stock Pancontinental the main feature. Banks were generally unchanged.

Pancontinental rose 20 cents to $5.30 after touching $5.70 at one point. Industrial market leader BHP shed 2 cents to $7.10.

Ocean Resources, which has featured in the top ten most actively traded stocks recently, rose another 2 cents to 25 cents.

CSR and Pioneer held their ground while Bundaberg was untraded despite the best-ever profit results announced on Friday.

Indices

NEW YORK

DOW JONES AVERAGES

Close	Home Bonds	Transport	Indus	Util.	Trading volume† 000's
July 18	68.83	170.80	862.41	83.30	18,870
17	68.88	172.18	864.28	83.56	21,420
16	68.93	172.61	872.11	83.81	25,250
15	68.91	175.88	881.81	84.74	28,340
14	68.80	172.89	875.86	84.71	21,900
11	68.79	172.69	871.09	84.48	22,310
10	68.93	172.48	871.87	84.20	28,380
9	68.86	172.03	871.87	83.91	26,350
8	68.86	169.88	857.79	83.34	18,990
7	68.69	169.21	861.08	83.59	16,850
3	68.89	169.78	871.78	84.45	19,000
2	68.96	170.07	870.38	84.74	18,530
1	69.28	171.71	877.42	85.44	20,390
June 30	69.32	171.13	878.99	85.99	19,430
27	69.42	171.34	873.12	86.02	18,820
26	69.61	169.90	874.14	86.34	24,560
25	69.57	168.59	872.73	86.69	21,610
1975 High	69.32 (4/4)	174.12 (5/6)	881.81 (15/7)	87.07 (24/6)	—
Low	68.16 (3/1)	146.47 (2/1)	632.04 (2/1)	72.12 (2/1)	—
All-time High	—	279.88 (7/2/69)	1051.70 (11/1/73)	163.32 (20/4/65)	—
Low	—	13.23 (8/7/32)	41.22 (8/7/32)	10.58 (22/4/42)	—

† Excluding bonds.

IND. DIVIDEND YIELD p.c.

July 11	July 3	July 2, 1974
4.04	4.04	4.66

N.Y. SE ALL COMMON INDEX

December 31, 1965=50.

1975 High	1975 Low	July 18	July 17	July 16	July 15	July 14
51.24 (15/7)	37.06 (2/1)	50.07	50.24	50.72	51.24	50.80

U.S. STOCK INDICES STANDARD AND POORS

	*Industrials	†Composite
July 18	104.59	93.20
17	105.09	93.63
16	106.25	94.61
15	107.40	95.61
14	106.92	95.19
11	106.30	94.66
10	106.51	94.81
9	106.54	94.80
1975 High	107.40 (15/7)	95.61 (15/7)
1975 Low	77.71 (9/1)	70.74 (2/1)

* 425 Industrials. † 425 Industrials, 40 Utilities, 25 Rails.

STOCK AND BOND YIELDS

	July 18 1975	July 9 1975	July 18 1974
Ind. Ord. yield pc	3.60	3.59	4.09
Ind Ord. p/e ratio	11.57	12.02	10.30
Long-term Govt. Bds. per cent.	8.73	8.77	6.25

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
CITI Corpn.	257,200	36	+⅛
Sony	186,200	11⅛	—
PST Chart.	175,700	14	−⅛
Searle G.D.	166,500	17⅞	−⅛
Whitt. Kar	133,300	4⅝	+⅛
Intl. Flavour	119,700	27	−1
Polaroid	117,000	40⅝	+⅛
SBD CST Lind.	114,800	22	−1½
Merrill Lynch	113,780	19⅜	+⅛
Eastman Kodak	113,300	98⅞	−1

TORONTO

INDUSTRIAL INDEX

July 18	July 17	1975 High	1975 Low
195.98	195.32	196.50 (15/7)	158.41 (2/1)

MONTREAL

MELBOURNE YIELDS

W'ge yield on 50 Leading Stocks	July 17	July 10	July 3
On Dividends	7.38	7.20	7.17
On Earnings	14.06	13.80	13.74

SYDNEY ALL ORD. INDEX

TOKYO NEW SE INDEX

HONG KONG INDEX

SINGAPORE INDEX

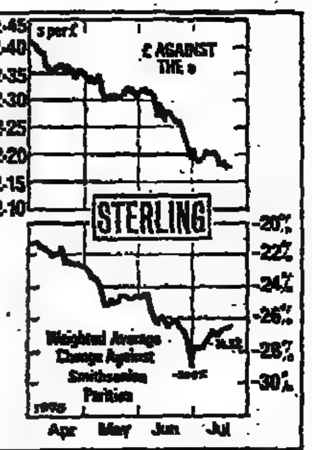
EUROPE

JOHANNESBURG

Dollar advances

The U.S. dollar continued its recent advance on the foreign exchange market yesterday, rising to its best level since last September. It found strong support in several European centres, but generally closed below its best. The upward trend reflects the firmer trend in Eurodollar rates and the increase in U.S. Prime Lending Rates. The unit may also have been supported by confidence in the recovery of the U.S. economy and continuing speculation about grain sales to the USSR. Sterling opened cautiously, ahead of this week's debate in the House of Commons on the White Paper on Inflation, but by noon had improved against the major currencies in general. The pound began at $2.1720-$2.1730 in terms of the dollar and touched $2.1690-$2.1700, before recovering to close at $2.1750-$2.1760, compared with the previous $2.1745-$2.1755.

Sterling's trade-weighted average depreciation against ten major currencies since the Washington Currency Agreement (as calculated by the Bank of England) narrowed to 26.5 per cent., from 26.6 per cent. on Friday evening, and having stood at 26.5 per cent. at noon and at 26.7 per cent. in early dealings. The dollar's trade-weighted average depreciation against 14 units since the Washington Agreement, as calculated by Morgan Guaranty of New York, on noon rates narrowed to 3.78 per cent., its best level since September 12, from the previous 4.01 per cent. The pound's depreciation on the same basis improved to 31.90 per cent., from 32.31 per cent.



Gold lost $½ to $164-$165, in moderate activity, having started the day at $163¾-$164¾. The krugerrand for domestic delivery closed at $172½-$174½ (£79½-£80½), compared with $173½-175½ (£79¾-£80¾).

EXCHANGE CROSS-RATES

July 21	Frankfurt	New York	Paris	Brussels	London	A'sterdam	Zurich
Frankf't	—	2.5050-70	58.40-50	6.70-75	5.430-445	98.98-.01	94.68-88
N. York*	40.00-02	—	23.44-47	2.6925-75	2.1745-1755	38.75-80	37.80-23
Paris	170.8-2	4.292-302	—	11.5525-55	9.325-35	165.55-95	161.775-175
Brussels	14.55-63	37.10-15	8.69-74	—	80.65-85	14.41-46	14.04-09
London	5.44½-42½	2.1750-45	9.33½-35	80.80-70	—	5.63¾-59½	5.75½-73½
Am'erdam	103.12-.17	2.5682-5807	60.32-37	6.9445-9495	5.6255-85	—	97.69-74
Zurich	105.50-63	2.646-647	61.63-68	unq.	5.7695-756	102.12-30	—

U.S. $ in Montreal. U.S. $=105.10-105.12 Canadian cents.
Canadian $ in New York. $C1=97.02-97.04 U.S. cents. U.S. $ in Milan 656.75.
Sterling in Milan 1424.60. *Rates for July 18.

EURO-CURRENCY INTEREST RATES*

GOLD MARKET

FOREIGN EXCHANGES

OTHER MARKETS

FORWARD RATES

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £1—87½% (86½%)

NEW YORK

CANADA

GERMANY

PARIS

MILAN

AMSTERDAM

TOKYO

BRUSSELS

STOCKHOLM

OSLO

SWITZERLAND

COPENHAGEN

AUSTRALIA

VIENNA

JOHANNESBURG

SPAIN

FARMING AND RAW MATERIALS

Aluminium stockpile plan

TOKYO, July 21.

ICHIRO NAKAYAMA, President of the Japan Light Metal Association, said he is proposing the establishment of a Japanese aluminium stockpile of 200,000 to 300,000 tonnes.

He told a Press conference this would require funds of at least Y60,000m. and financial assistance will have to be sought from the Government.

The stockpile would help the Japanese aluminium industry reduce its current stocks of more than 400,000 tonnes to a normal level of below 200,000 tonnes.

It would also be useful, because the world was bound to face a serious shortage of aluminium within a few years, he added.

Aluminium production in Japan during the first six months of this year totalled 711,950 tonnes, a decline of 27.3 per cent. from the level in the corresponding 1974 period.

The industry is currently operating at 68 per cent. of capacity because of a decline in both domestic and export demand, but it hopes to at least maintain the present operational rate, said Mr. Nakayama.
Reuter

Sharp rise in cocoa and sugar markets

BY PETER BULLEN

REPORTS OF frost and flood damage to crops in Brazil which sent coffee prices haywire yesterday also affected cocoa and sugar markets.

The London cocoa futures market opened sharply higher under the effect of the overspill sentiment from the coffee terminal market and of fears that the frosts in Brazil could spread to cocoa growing areas. Later Reuter reported from Salvador, Bahia, that the low temperatures there together with heavy weekend rains threatened the cocoa crop with brown pod rot.

As a result the London cocoa market remained firm throughout the day, closing around the highest levels reached with September cocoa £41 up at £629.25 a tonne.

The reports from Brazil also mentioned that the frost which had hit the coffee crop in Parana had also damaged sugar cane in the important Sao Paulo sugar growing region while heavy rains in North East Brazil had damaged cane, flooded sugar mills and disrupted communications.

Although it was too early to assess the likely effects on Brazil's sugar crop, news of the damage being caused by the bad weather plus the strength of the coffee market pushed up values on sugar markets in London and New York. The London daily sugar price was unchanged at £185 a ton but October sugar on the London terminal market closed £11.525 up at £179.775 a ton.

From New Delhi meanwhile, Our Own Correspondent reports that the State Trading Corporation has just announced sugar export contracts for 300,000 tonnes, the bulk of which is destined for the U.S., a new market.

According to Mr. Vinod Parekh, the STC chairman, the price secured is over £160 a tonne and the fresh contracts would earn for India foreign exchange worth about rupees 800m.

Mr. Parekh said that contracts for 200,000 tonnes were recently concluded following his visit to London. He maintained that under the present situation in the world market, the price obtained by STC could be regarded as competitive. (The world sugar price which dipped to £135 on July 2 subsequently improved to about £210 a tonne. However, it declined to about £170 on July 16.) Mr. Parekh said shipment of contracted quantities would commence soon and would be completed by the end of September.

With these deals, the STC has so far made arrangements for export of about 900,000 tonnes of sugar during January-December this year. Of this, 700,000 tonnes are firmly committed at an average price of £306 per tonne.

Meanwhile, the Foreign Ministers of the EEC have also given a go-ahead for India to start exporting 25,000 tonnes of cane sugar a year to the Common Market.

Copper stocks up again

By Our Commodities Staff

COPPER STOCKS in London Metal Exchange warehouses rose to a new high level of 326,325 tonnes last week but the latest increase of 9,275 tonnes announced yesterday was in line with market forecasts.

With the market feeling the effect of the summer holiday season values remained fairly steady with cash wirebars closing at £562 a tonne, up £2.75.

Tin prices opened steady following a further rise in the Penang market but closed lower following profit-taking with standard cash tin at £3,109 a tonne, down £10 and three months at £3,130 down £6. Stocks fell 25 tonnes at 5,520 tonnes.

Silver stocks were unchanged at 14,240,000 troy ounces, lead rose 1,700 tonnes to 57,250 and zinc by 2,075 to 22,075 tonnes.

● India will be self-sufficient in zinc by 1985 at the present rate of production growth, the chairman of Hindustan Zinc company said yesterday in Visakhapatnam, reports Reuter.

He said construction of the zinc smelter there will be completed three months before the scheduled end-1976. It will produce 30,000 tonnes of zinc annually as well as 10,000 tonnes of lead. The Udaipur zinc smelter will be expanded from next year to an annual capacity of 45,000 tonnes from the present 18,000 tonnes.

Brazil crop failure will hit consumers

BY SANDY McLACHLAN

THERE IS A real prospect of sharply higher coffee prices in the shops from the autumn as a result of the coffee crop failure reported from Brazil. The U.K. manufacturers of instant and blended coffees stressed yesterday that at this stage it was impossible to quantify the effects in terms of pence per pound on the supermarket shelves since no one yet knows the extent of the disaster, but whatever the final percentage rise in raw coffee prices, the retail price will go up by nearly as much after a time lag.

Processing coffee for the final consumer is neither labour nor capital intensive—it is raw material intensive. Industry sources estimated yesterday that between 80 per cent. and 85 per cent. of the cost of coffee bought in the shops represented raw material cost. Therefore if manufacturers have to pay 50 per cent. more for their raw material the housewife will have to pay 40 per cent. more on the end product.

The way prices have gone on the commodity market in the last couple of trading sessions makes that sort of increase not impossible. Coffee for delivery to the manufacturers in September shot up from £520 a ton on Thursday to around £855 yesterday.

Many dealers, and certainly coffee buyers for industrial concerns attribute part of this to complete uncertainty over the real situation in Brazil pending clarification. This has introduced an element of panic into dealings.

Even so there is a consensus that a real disaster has befallen the Brazilian coffee crop, and even if the commodity market price loses half its gain of the last two trading sessions the effect on retail prices could be anywhere between a 10 per cent. and a 20 per cent. increase.

Brazil produces more than a third of the world total crop, and this makes it more than three times as big in coffee as its nearest rival Colombia—which again is more than twice the size of any other producer. The rest of world production is scattered among lots of small producers, some of whom like Uganda, have their own problems.

The Brazilian crop which has been partly destroyed is next year's, but it is present prices which are affected, and it is these which manufacturers must pay to replenish existing stocks. There is little spare coffee around world-wide, and anyway manufacturers have been keeping stocks on a tight reign—especially in the U.K. where cash problems and the high cost of money have forced food manufacturers in particular to keep stocks of raw materials and finished products down to a minimum.

Trade estimates yesterday suggested existing stocks of raw coffee beans in the U.K. probably represent between eight weeks' and 12 weeks' consumption, while the distributive trades—retailers and wholesalers—probably have around two weeks' supply of finished products in the pipeline. Therefore come October higher rices could be finding their way into the shops.

These increases could be in the region of between 4p and 8p on a 4oz. jar of Nescafe or Maxwell House which currently retail at around 40p, and this again raises the question of the competitiveness between tea and coffee. Already tea enjoys a consumer subsidy which coffee does not, and when this was imposed there was some evidence of switching to tea from coffee. However one major retail grocery chain took the view yesterday that if coffee prices were to rise further there would be a decline in coffee sales—but not necessarily matched by any further increase in tea sales.

Malta foot and mouth disease 'contained'

By Our Own Correspondent

MALTA, July 21.

MALTA'S OUTBREAK of foot and mouth disease has been contained and no fresh cases have been reported in the last four weeks.

This was stated by Mr. Freddie Micallef, Agriculture Minister, at a party rally on Gozo, Malta's sister island, which remained free of the disease. Mr. Micallef said a detailed statement would be made to Parliament shortly.

There has been do disclosure of the number of livestock destroyed during the outbreak. Unofficial sources put the figure as low as 2 per cent. The outbreak was stamped out with the help of vets flown from Britain.

HARD FIBRE FROM PINEAPPLE LEAF

TOKYO, July 21.

Philippine and Japanese scientists have developed a process to make a hard fibre resembling jute and hemp from pineapple leaves, a Japanese research institute said.

The new process uses a type of enzyme to dissolve fibrous tissues after the leaves of the plant have been rippled to remove waxes.
Reuter

Russian grain deal concluded

BY ADRIAN DICKS

WASHINGTON, July 21.

THE SOVIET UNION appears to have concluded at least the first phase of its grain purchases from North America this year, following the announcement to-day by Continental Grain that it had sold the Russians 4.5m. tonnes of maize and 1.1m. tonnes of barley.

The sale had been anticipated for several days, in spite of a formal denial by the company on Thursday that it was negotiating with Moscow. It is reported to be worth approximately $600m. at current prices.

Total purchases by the Russians so far disclosed amount to 3.5m. tonnes of U.S. wheat and 3m. tonnes of Canadian wheat, in addition to the feedgrains deal by Continental.

These figures are remarkably close to the figure of about 10m. tonnes previously referred to by the U.S. Department of Agriculture.

This in itself suggests that the Federal Government, badly caught out by the 1972 Soviet purchases, is keeping a much closer eye on the big American exporters' activities in Moscow than ever before, and is not merely waiting for the formal notification of any export sale of 100,000 tonnes or more required by law.

The consensus of opinion among private and official experts here remains that the U.S. will have no difficulty meeting Soviet needs on this scale.

But some grain dealers are concerned at recent hot, dry weather in the mid-Western corn belt, and believe that the result could be to reduce yields from the high levels predicted, to give a smaller crop than the forecast 6 bn. bushels.

Although markets here have now largely discounted the current round of Soviet purchases, they are likely to be sensitive to any fresh indications that the Soviet wheat and feedgrains crops are suffering further from bad growing conditions.

Semen import curb eased

CANBERRA, July 21.

AUSTRALIA HAS cut the quarantine storage period for cattle semen from the U.K. and Ireland from 12 to six months, reports Reuter.

Dr. Doug Everinghm, the Minister for Health, said it had become possible to halve the period because of the complete absence of blue-tongue, a livestock disease, from these areas. Six months' storage was also sufficient to ensure that foot and mouth disease was not present in stock from which semen was taken.

Blue-tongue testing of semen, together with a two years' storage period, was introduced when the importing of semen from the U.K. was originally approved in January, 1964. The storage period was reduced to 12 months in 1971.

Our Commodities Staff writes: For the first time, cattle semen from Australia has been imported into Britain. The semen, from a Murray Grey bull, is available from AI services throughout the country, says the Milk Marketing Board.

Malaysia puts surcharge on rubber exports

KUALA LUMPUR, July 21.

THE MALAYSIAN Government has levied a surcharge of 0.25 cents per pound (previously nil) on rubber exports, effective from July 17 reports Reuter.

Finance Ministry officials said the imposition of the surcharge was routine following a rise in the listed price to more than 60 cents a pound. The price was quoted on July 17 at 60¾ cents a pound compared with 58¾ cents a week earlier.

Earlier, Statistics Department figures showed that West Malaysian rubber production rose to 100,456 tonnes in May from 85,946 tonnes in April but was down on the 103,757 tonnes produced in May last year.

Exports rose marginally to 102,126 tonnes (101,448) but were less than the 105,411 exported in May 1974.

Stocks at end-May totalled 190,180 tonnes compared with 144,634 tonnes in May 1974.

Many crops hit by bad weather

BY DAVID WHITE

RIO DE JANEIRO, July 21.

PROSPECTS FOR Brazil's agricultural output next year, and possibly for several years ahead, have changed radically with the frosts and freak snowfalls which have hit some of the richest farming areas in the south of the country.

Below-freezing temperatures have now reached as far north as Minas Gerais, where frosts have already affected the coffee crop. In the main coffee-growing state of Parana, where about half Brazil's production comes from, early estimates suggest that virtually all of the 900m. coffee trees are affected. Wheat output in the state may be as much as 40 per cent. down, according to first reports.

The damage over a vast area which also covers a large part of Sao Paulo state, is still being reviewed and a more exact estimate of losses to crops and cattle is expected some time next week.

The coffee estates are the worst affected, but sugar areas have also been touched by the cold weather, and some regions have lost about 10 per cent. of their cattle in the past few days, according to reports.

In Parana, which has suffered the lowest temperatures in many years, experts are working to save what is left of the vital wheat crop.

Meanwhile, heavy rains in the coastal belt of North East Brazil have caused extensive flood damage in and around Recife, where at least 89 people have died. The flood waters began to subside yesterday, and the State Government has promised a rebuilding programme for destroyed housing. A state of emergency was declared in Recife and other towns of Pernambuco, where the floods are described as the worst in memory.

Indian tea output falls

BY OUR OWN CORRESPONDENT

CALCUTTA, July 21.

INDIA'S TEA production up to the end of May was running 8.3m. kilos behind the crop figure on the same date last year.

The entire fall was due to lower output in north India which earlier in the year was hit by a serious drought. Its crop, at 54.24m. kilos was 9.56m. kilos less than on the same date last year. The south Indian crop, however, showed a marginal rise of 1.18m. to 42.2m. kilos.

By contrast Sri Lanka's crop of 52.8m. kilos was up 8.5m. kilos at the end of March.

East African countries as a whole had a crop of 28.6m. kilos at the end of the first quarter of this year, which was 2.8m. kilos bigger than that of the previous year's corresponding period.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Marginally firmer on balance on the London Metal Exchange. The slightly larger than expected rise in the already record warehouse stocks figure was offset as a market factor by the easier tone of sterling against the U.S. dollar. Physical demand remained quiet [illegible] that in the morning cash wirebars traded at £561, 60, 59.5, 60, early Aug. £564, three months £580, 81, 82, 81, 80, 79. Cathodes: cash £548, 48.5, 49, three months £567. Kerbs: Bars: mid-Oct. £582, three months £580, 81, 82, 84. Afternoon: Wirebars: three months £584, 81. Cathodes: cash £550. Kerbs: Bars: three months £581.5, 81, 81.5.

TIN—See-sawed. Prices were initially [illegible] close at £3,029 on the afternoon Kerb. Turnover 880 tonnes.

Morning: Standard: cash £3,112, early Oct. £3,145, three months £3,138 to 30. High Grade untraded. Kerbs: Standard: three months £3,135. Afternoon: Standard: cash £3,310, three months £3,128, 31, 30. Kerbs: Untraded.

LEAD—Gained ground in thin trading mainly reflecting the firmer tone of [illegible]

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —	TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£	High Grade	£	£	£	£
Wirebars					Cash	3110-2	—4.5	3108-10	—10
Cash	559.5-60	+6	561.5-2.5	+5.75	3 months	3132-4	—1.5	3129-31	—7.5
3 months	579-.5	+7.5	580.5-1.5	+4.25	S'ment	3112	—4	—	—
Settlem'nt	560	+6	—	—	Standard				
Cathodes					Cash	3110-2	—4.5	3108-10	—10
Cash	548-.5	+8.5	550-1	+5.25	3 months	3132-4	—1.5	3129-31	—6
3 months	567-.5	+9	569-.5	+6.5	S'ment	3112	—4	—	—
Settlem'nt	549.5	+8.5	—	—	Straits E.	18985	+14	—	—
U.S. Smt.	—	—	*60-63/?	—	New York	—	—	544.75	—

[illegible]

OIL TANKERS—Few important fixtures and reports suggest the market for VLCC has eased.

COFFEE

[illegible]

SILVER

[illegible]

RUBBER

[illegible]

COCOA

[illegible]

GRAINS

[illegible]

FREIGHTS

[illegible]

GOURMET

[illegible]

HGCA—Location ex-farm spot prices: Soft milling wheat—Ipswich £52.30. Feeding barley—Darlington £56.75, Ipswich £53.00.

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

JUTE

[illegible]

LONDON Steady. Bangladesh White "C" grade July-August £195. "D" grade July-August £188 per long ton.

CALCUTTA—Quiet. Indian July Rs.465. Dundee Daisee July Rs.420 values. A bale of 400 lbs.

★

GRIMSBY FISH—Supply fair, demand good. Prices per stone at ship's side unprocessed. Shelf cod £1.70-£2.40, codlings £1.50-£2.30; Large haddock £2.60-£2.80, medium £2.30-£2.50, small £1.90; Large plaice £3.30, medium £3.30, small £2.90; Skinned dogfish large £4.00, medium £2.50; Coalfish £1.00-£1.10; Rockfish £1.20-£1.50; Lemon soles £4.00; Reds 80p-£1.10.

★

COPRA—Philippines July-August $230 reseller, per tonne, c.i.f. North European ports.

MEAT/VEGETABLES

[illegible]

MEAT COMMISSION—Average fatstock prices at representative markets on July 21: U.K.—Cattle £17.58 per live cwt. [illegible]

CROPS DESTROYED BY GRASSHOPPERS

LAGOS, July 21.

Grasshoppers have destroyed crops worth 5.7m. Naira in parts of Nigeria's grain-growing North Central State, the State Rural Development Bureau said.

Farms in 11 districts of Katsina province were invaded by the pests.
Reuter

PRICE CHANGES

Prices per ton unless otherwise stated.

	July 21 1975	+ or —	Month ago
Metals			
Aluminium (a)	£596		£596
Free Market cif	£310-325		£280-305
Copper			
Cash Wire Bars (a)	£562	+3.75	£521.5
3 months do. do.	[illegible]	[illegible]	£540.25
[illegible]	[illegible]	[illegible]	£510
[illegible]	[illegible]	[illegible]	£526.25
[illegible]	[illegible]	[illegible]	£162.25
[illegible]	[illegible]	[illegible]	£158.25
[illegible]	[illegible]	[illegible]	£161.25
[illegible]	[illegible]	[illegible]	£1,917
[illegible]	[illegible]	[illegible]	[illegible]
Rubber ... kilo	55.0p	—0.5	30p
Sisal EASL (w)	$600*		$600*
Sugar (raw)	£185		£128
Wooltops 64s ... kilo	188p		190p
Cloves (Madagascar)	£2,550		£2,400
Pepper White ... ton	£890	+30	£850
Black ... ton	£690	+40	£635

* Nominal. † Seller. ‡ Unofficial close. ⁂ Indicative price. b U.K. and Commonwealth refined. c Uganda Robusta standard grade indicative prices f.o.b. Mombasa U.S. cents a pound. d Bangladesh white "C." ‡ Unquoted. e Seller's quotation. h August. k June. n Metric tons. r July. v June-July. s July-Aug. t Nov. q Mar-June. w Nov.-Jan.

FINANCIAL TIMES

July 21	July 18	Month ago	Year ago
179.80	170.81	155.92	208.02

(Base: July 1, 1952=100)

REUTER'S

July 21	July 18	Month ago	Year ago
1112.4	1112.4	1068.1	1255.5

(Base: Sept. 18, 1931=100)

DOW JONES

Dow Jones	July 21	July 18	Month ago	Year ago
Spot	299.41	282.91	266.96	359.89
Futures	277.41	271.56	244.38	357.95

(Average 1924-25-26=100)

MOODY'S

Moody's	July 21	July 18	Month ago	Year ago
Sple Comm'ty	767.6	762.6	752.7	[illegible]

(Dec. 31, 1931=100)

LIVERPOOL COTTON—Spot and shipment sales amounted to 77 tonnes, F. W. Tattersall reports. Demand again lacked enterprise and few contracts were placed, apart from speciality requirements. Turkish and other Middle Eastern qualities continued in chief request.

U.S. Markets

Brazil flood puts sugar sharply up

NEW YORK, July 21.

SILVER closed higher on commission house buying while copper advanced despite another record level in LME warehouse stocks, Bache reports. Cocoa closed limit up following continued commission house buying, along with most NY commodities. Sugar closed sharply higher due to crop damage in Brazil. Chicago grains finished limit up to sharply higher on growing concern over the Soviet wheat crop and unfavourable weather reports in key corn growing areas.

Cocoa—Ghana spot 79 nom. (76 nom.). Bahia spot 66 nom. (62½ nom.). July 67.00 (61.20), Sept. 58.20 (56.20), Dec. 54.70, March 53.80, May 53.60, July 53.30, Sept. 54.00, Dec. 54.20. Sales: 859.

Coffee—Spot Santos No. 4 unquoted (same). Colombian Mams unquoted (92.00). "C" Contract: July 84.00 (68.69), Sept. 61.00 (59.00), Nov. 61.50 bid, Dec. 67.85 bid, March 62.68 bid, May 63.18 bid, July 63.45 bid. Sales: 211.

Copper—July 57.10 (56.30), Aug. 57.30 (56.40), Sept. 57.50, Dec. 59.40, Jan. 60.00, March 61.00, May 62.00, July 63.00. Sales: 1,297.

Cotton—Oct. 49.00 (48.37), Dec. 49.35-49.40 (48.72), March 50.20, May 50.78-50.80 asked, July 51.35-51.55 asked, Oct. 51.65-51.90 asked, Dec. 51.65-51.90 asked. Sales: 375.

ΦGold—July 164.70 (165.00), Aug. 165.10 (165.40), Sept. 166.50, Oct. 167.90, Dec. 170.60, Feb. 173.40, April 176.10, June 178.80, Aug. 181.70, Oct. 184.30. Sales: 626.

Greasewool—Spot 142.5 nom. (same). Oct. 144.0-146.0 asked (143.35), Dec. 146.5-150.0 asked (14.65), March 146.5-152.5 asked, May 146.5-155.0 asked, July 146.5 bid, Oct. 146.5 bid, Dec. 146.5 bid.

†Lard—Chicago loose 29 (29), NY prime steam 30½ nom. (29½ nom.).

††Maize—July 290-300½ (290½), Sept. 273½ bid (263½), Dec. 263½-264, March 271½-271, May 276-275½, July 279 asked.

‡Platinum—Oct. 165.40 (161.10), Jan. 169.70 (165.00), April 175.80 bid, July 177.80 bid, Oct. 181.60-181.80 asked. Sales: 493.

‡‡Silver—Spot 464.50 (460.00), July 470.00 (463.00), Aug. 471.00 (464.00), Sept. 474.50, Dec. 486.30, Jan. 489.90, March 497.20, May 504.50, July 511.70, Sept. 518.90. Sales: 4,270.

*Soyabeans—July 567 (549½), Aug. 555½ bid (535½), Sept. 554½ bid, Nov. 557, Jan. 565½ bid, March 575 bid, May 583 bid, July 389 bid, Aug. 590 bid.

[illegible]

... 23.22 bid, Dec. 22.40 bid, Jan. 22.25 bid, March 21.95 bid, May 21.90-22.00, July 21.67-21.60, Aug. 21.45.

Sugar—Spot 17.25 (16.00). Sept. 16.99 bid (15.88), Oct. 16.73 bid (15.73), Jan. 16.66 bid, March 16.24-16.33, May 16.25 bid, July 16.25-16.29 asked, Sept. 16.23 nom., Oct. 16.25 asked. Sales: 2,806.

Tin—317.50-372.00 asked (318.50-370.00 nom.).

**Wheat—July 353-352½ (345½), Sept. 360½-360 (351½), Dec. 373-372, March 383, May 385.

WINNIPEG, July 21. ††Rye—July 240½ bid (239 bid), Oct. 244 asked (242), Dec. 241½ bid, May 238 nom.

cOats—July 166½ bid (166½), Oct. 161½ bid (160 asked), Dec. 157½ bid, May 155 nom.

§Barley—July 243½ (244), Oct. 235½ (235½ asked), Dec. 223½, May 220 nom.

dFlaxseed—July 805 bid (797 bid), Oct. 794 bid (782 asked), Nov. 777 bid, Dec. 766 bid, May 758 nom.

Wheat—SCWRS 13.5 per cent. protein content St. Lawrence 502½ (502½).

All cents per pound ex-warehouse unless otherwise stated. *Cents per 60-lb bushel ex-warehouse. Φ $'s per troy ounce—100-ounce lots. † Chicago loose $'s per 100 lbs — Dept. of Ag. prices previous day. Prime steam f.o.b. NY bulk tank cars. ‡‡ Cents per troy ounce ex-warehouse. b New "B" contract in $'s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Decatur and Illinois. ‡ $'s per troy ounce for 50-ounce units of 99.8 per cent. purity delivered NY. **Cents per 60-lb bushel in store. ††Cents per 56-lb bushel ex-warehouse, 5,000 bushel lots. c Cents per 24-lb bushel. § Cents per 48-lb bushel ex-warehouse, 5,000 bushel lots. d Cents per 56-lb bushel ex-warehouse, 1,000-bushel lots.

STOCK EXCHANGE REPORT

Easier equities lack incentive—Gilt-edged above worst

Share index ends 2.3 down at 296.6, after 294.1—Golds dull

Account Dealing Dates Option

*First Dealings	Declarations	Last Dealings	Account Day
Jun. 30	July 10	July 11	July 22
July 14	July 24	July 25	Aug. 5
July 28	Aug. 7	Aug. 8	Aug. 19

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

An easier tendency prevailed in stock markets yesterday at the start of the final leg of the Account. There was little guidance from the week-end Press and potential buyers of both equities and gilts remained on the sidelines. The low level of trade was underlined by official markings of only 4,697 compared with 6,043 the previous Monday and last week's daily average of 5,068.

After opening slightly higher on a mark up by jobbers, leading equities quickly succumbed to a dribble of small selling which persisted throughout much of the day. However, an "after-hours" rally lifted many of the leaders off the bottom, sentiment probably being helped late by a firm opening to Wall Street. The FT 30-share index, which was 4.8 lower at 2 p.m., ended a net 2.3 down at the close of 296.6.

Apart from the odd bid situation (Bensons International Systems featured on this score with a jump of 78 to 180p), secondary issues had little to offer and falls led rises in FT-quoted Industrials by about 9-4. The FT-Actuaries All-Share index sustained a loss of 1 per cent. at 131.31.

Gilts slightly easier

Sufficient bearish influences were around to inject restraint into Gilt-edged and accordingly quotations eased before steadying later to close only marginally lower on the day. The longs were affected by selling of Treasury 13¼ per cent., 1977, which slipped to 94⁵⁄₃₂ before ending a net ¹⁄₁₆ down at 94¼; closing losses elsewhere were halved to ⅛. Some mediums also ended ⅛ off, while the shorts were mixed. Very near maturities met with support, gaining ¹⁄₁₆ in places, but small falls appeared against issues of slightly longer life. Opinions about a new "tap" issue favoured a long stock with next Friday being the choice for the announcement.

The investment currency premium edged higher in extremely quiet trading to close 1¼ up at 88¾ per cent., which was near the day's best. Yesterday's SE conversion factor was 0.6352 (0.6313).

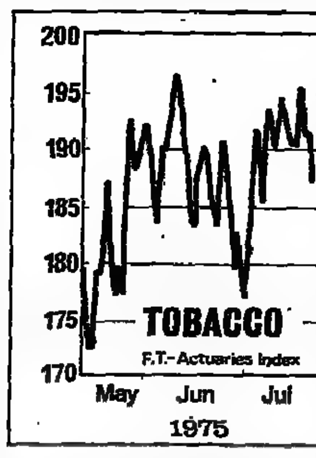
Home Banks ease

Small selling brought a downward drift in the big four Home Banks awaiting their interim reports, but closing prices were a shade above the day's worst. National Westminster, which opens the season to-day with its half-time announcement, finished 6 down at 210p. Lloyds, 200p, and Midland, 240p, both of which are due to report on Friday, and Barclays, 250p, with its interim expected July 31, all ended similarly cheaper. Idle Merchant Banks had Brown Shipley 3 easier at 180p and Hambros 2 off at 188p, but Minster Assets a penny better at 39p.

Insurances reacted afresh in quiet conditions, but losses were later pared by a penny or two. "Royals" were finally 6 down at 276p and Sun Alliance 8 cheaper at 377p. Declines of 4 were recorded in Commercial Union, 144p, and London and Manchester, 102p, while Phoenix fully recouped an initial loss of 4 to close unaltered at 202p.

Further consideration of last week's disappointing results took Distillers down to 111p at first, but the shares hardened a shade late to close a net 3 down at 112p. Highland Distilleries declined 4 to 88p in sympathy while, among Wines, Luis Gordon lost 3 to 27p and Geo. G. Sandeman were marked down 5 to 30p, the latter in a restricted market. Leading Breweries were easier but closed above the worst. Allied ended 1½ off at 60p, after 59p.

Ahead of to-day's interim statement, Taylor Woodrow fell 8 to 266p on small selling in an unwilling market. An adverse Press mention left Rugby Portland 3 lower at 59p, while similar losses were sustained by Milbury, 27p, and Watts Blake and Bearne, 90p. News of the company's possible involvement in a £600m. Iranian



rail project failed to help John Laing "A," 1 cheaper at 118p. After Friday's rise of 17 on news that talks were taking place which may lead to a bid, NET improved afresh to 50p before closing 5 better on balance at 48p.

After touching 250p, ICI closed unchanged on the day at 252p. Losses of 2 were sustained by Coates Bros., and Stewart Plastics, 44p.

Caledonian Associated Cinemas made no apparent response to the increased dividend and profits, closing without alteration at 155p.

Stores neglected

Little of interest occurred in Stores which closed little changed on Friday's closing levels. Up to 75p in the early trade following a Press mention, House of Fraser were finally unchanged on the day at 72p. Marks and Spencer closed a penny easier at 100p, after 98p. Burton Group continued a dull market following Press comment, the Ordinary losing 2 at 52p and "A" a penny at 42p. Among secondary issues, small selling in an unwilling market left B. Paradise 5 cheaper at a 1975 "low" of 12p. Cope Sportswear shed 2 at 16p as did Midland Educational at 43p. Against the trend, Knott Mill hardened a penny to 15p on revived speculative interest.

Electrical leaders moved within narrow limits in extremely quiet trading. Plessey managed to close 2 firmer at 71p and EMI a penny up at 171p, while GEC were finally unaltered at 120p, after 118p. Thorn Electrical, 160p, after 158p, and BICC, 108p, displayed losses of 2 apiece. Sound Diffusion, 1 up at 8p, resisted the easier tendency in secondary issue, but Ward and Goldstone, awaiting Thursday's annual figures, shed 3 to 50p. Decca, 182p, and "A," 180p, both declined 4, while Unitech closed similarly cheaper at 92p.

Newspaper mention helped Hawker Siddeley initially, but the close was a net 2 off at 248p, after 252p. GKN were a like amount cheaper at 214p, but Tube Investments edged firmer late to end 2 higher on balance at 244p. Irregularity was also evident among second-line issues. Westland fell 5 to 39p on the "rights" issue announcement and Renold were similarly lower at 122p ahead of going ex "rights" to-day. Press comment, however, lifted Rotork 3 to 68p and TCK 2 to 87p. Neepsend were in demand at 38p, up 2½, along with N. Greening, 1½ dearer at 26p; Johnson and Firth Brown has further extended its offer for the latter to July 24. Of the adverse movements, Cornercroft were 3½ easier at 24p, John Brockhouse gave up 3 at 133p and Simon lost 2 to 97p. Among smaller-priced issues, Redman Heenan retreated 1½ to 6p, as did Head Wrightson, to 16½p. A continuation of the recent pressure on Hawthorn Leslie, in Shipbuildings, left the price 3 down at a "low" for the year of 28p.

Movements of note were few and far between in Foods. Tate and Lyle ended a penny harder at 197p, after 193½p, with the new nil-paid shares closing a penny cheaper at 17p premium, after 15p. RHM eased a penny to 34½p as did Unigate to 38½p. Having risen to 104p following Press comment, Manbre and Garton reacted to close 2 cheaper on balance at 99p. British Sugar declined 10 to 335p. Wheatsheaf Distribution were dull in Supermarkets, the Ordinary giving up 4 to 126p and the new nil-paid shares losing 3 to 18p premium.

Hotels and Caterers also had an easier bias, Pontin's easing a penny to 23½p and J. Lyons "A" giving up 2 at 124p while Grand Metropolitan reacted to 59p before recovering to close only a shade easier on the day at 61p.

Bensons Intl. jump

Miscellaneous Industrial leaders reverted to a downward course in slack trading before partially recovering later. Unilever, unsettled by adverse Press comment, ended only a shade above the day's worst at 354p, down 10. Losses of 5 were recorded in Boots, 192p, and Glaxo, 348p, after 343p, while Rank "A," awaiting the interim results rescheduled for to-day, shed 3 to 143p. Elsewhere, Bensons International Systems, after improving afresh to 110p, moved sharply forward to 180p for a jump on the day of 78p on news of the talks with a Swedish concern which are likely to lead to an offer of 190p per share; the 7½ per cent. Convertible was raised 80 to £115. Week-end Press comment regarding the bid talks with LCP helped Central Manufacturing to end 1½ higher at 64p, after 65p. Vinten Group, still on the second-half recovery, added another 1½ at 10p, while Cowan de Groot "A," still on acquisition news, gained 3 more at 53p. Elliott of Peterborough rose 4 to 41p. In contrast, Channel Tunnel, after the recent sharp rise in a restricted market, retreated 12 to 25p on the Board's statement that they knew of no reason to account for the firmness. Following news of the partial bid from Jardine Matheson, 2 off at 342p, dealings in Rennies Consolidated were resumed yesterday; compared with the suspension price of 220p, the shares opened at 245p and closed at 255p. J. H. Fenner eased 1 to 99p; in recent issues, the price in the Share Information Service should have been shown ex dividend and not ex "rights."

Dowty were a good late spot at 96p, up 3, in Motors and Distributors on the better-than-expected preliminary figures. Lucas Industries and Dunlop, however, both closed a penny easier at 102p and 45p respectively. Commercial Vehicles attracted a fair amount of interest; Crane Fruehauf closed a penny harder at 14p, after 15p, and York Trailer 4 to the good at 31p.

The chairman's warning about current year profits took 2 off Associated Newspapers, at 92p, while Thomson slipped 4 to 167p after none too favourable Press comment. DRG, in Papers, lost 5 to 95p, being upset possibly by a reminder that the industry's mills are working at half capacity. Elsewhere, Eucalyptus Pulp rose 4 to 24p on the record profits and news that plans for transferring the company's domicile to Portugal had been shelved.

Activity remained at a low ebb in leading Properties which lost a little more ground. English Property were quoted ex "rights" at 56p, down 2½ to the new 12 per cent. Convertible Loan, 2000/5, which attracted a certain amount of interest and touched £4 before closing at £2 premium in nil-paid form. Land Securities ended 3 cheaper at 168p, after 167p, and MEPC 2 off at 99p. Amalgamated Investment hardened initially to 25½p, but came back to finish unaltered on balance at 24p. Elsewhere, United Kingdom Property closed a fraction firmer at 9p on week-end Press comment. Estates and Agency hardened 1½ to 27½ and Property and Reversionary "A" edged up 3 to 158p, but declines of 5 were registered in Great Portland Estates, 205p, Hammerson "A", 355p, and Property Holdings and Investment, 185p.

Oils steady

British Petroleum and others in the North Sea Ninian field consortium steadied after the recent easiness, although this probably owed more to lack of interest than to any other factor; BP, which announced that, contrary to a week-end Press report, no delay is envisaged in the projected Ninian field production, were virtually static at 522p, down 1, while Burmah were similarly cheaper at 29p, but Ranger hardened ¼ to £13¾. Shell eased the turn to 303p, after 304p, and Ultramar were 2 softer at 182p, after 180p. Investment premium influences helped Royal Dutch move up ¼ to $28¾. Australians too, regained composure without staging much of a recovery; Timor improved ½ to 7p after Friday's fall of 3.

Against an easier trend in Overseas Traders, Lonrho improved 4 to 118p, while London Australian and General Exploration firmed 2 to 37½p in sympathy. S. Hoffnung receded 6 to 97p, while Inchcape, in front of Thursday's annual results, eased 2 more to 388p.

Dull Trusts saw Second British Assets decline 9 to 128p, and Rothschild lose 8 to 370p. U.S. Trust Fund were lowered 30 to 920p. Scottish American, however, closed a penny better at 58½p following the interim report. In Financials, Dalgety cheapened 4 to 310p and R. Kitchen Taylor reacted 5 to 50p. West of England Trust contrasted with a rise of 1½ to 22p with the help of Press comment.

Press comment on bid possibilities generated fresh enthusiasm for Furness Withy, which closed 5 higher at 250p, after 255p. Elsewhere in Shippings, Mersey Dock Units hardened ¾ to 7½p following a Press mention. Hunting Gibson firmed 2 more to a 1975 peak of 157p, but Ocean Transport shed 2½ at 98p and P. and O. Deferred gave up 3 at 87p.

There was little to enthuse about in Textiles with Courtaulds following the trend in other equity leaders to close 1 easier at 109p, after 107p. Attempted selling of John Haggas found the market unwilling and led to a fall of 20 to 215p, after 210p. Tootal lost 1½ to 28p, but RKT were raised 4 to 40p.

Bats were sold fairly persistently and fell 10 to 303p. Imps, on the other hand, rallied late to end only 1 off at 66p, after 64p.

Rubbers showed small, but widespread falls. Guthrie, down 8 at 175p, was more inclined to follow the equity leaders. Teas were quiet and little altered.

Golds lower again

Gold shares continued the downward pattern yesterday despite the modest rally in the bullion price which ended only 25 cents lower at $164.50 per ounce after having been down to $163.8 at the morning fixing. Scattered offerings of stock found the market devoid of buyers and the Gold Mines index fell 8 points to 337.1 following on last week's fall of 22.5.

In the heavyweights, losses ranged to £1½ in President Brand at £22½, while Libanon were ½ off at £10. Among the lower-priced issues, Ventersport gave up 40 at 740p.

Financials followed the trend in Golds with Anglo American 25 lower at 430p and General Mining £1½ down at £31. In front of the higher profits and interim dividend Geduld Investments gave up 5 at 385p.

Cape offerings of De Beers lowered the price 7 to 308p. Platinums were easier where changed with Lydenburg 3 off at 142p.

Pancontinental, which was the only firm feature in Sydney and Melbourne overnight, gave ground here and ended 50 lower at 480p. Ocean Resources were 2 off at 21p and Mid-East Minerals gave up 3 at 32p. Despite the higher half-year results, Hamersley were 10 down at 145p.

Tins were a shade lower where changed as were Coppers. Following the latest developments in the Haw Par situation London Tin were 3 down at 160p, while Charter Consolidated gave up 10 at 165p. Elsewhere, Murchison eased 10 to 670p.

FINANCIAL TIMES STOCK INDICES

HIGHS AND LOWS

	1975 High	1975 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	62.34 (3/3/5)	49.18 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	62.51 (14/5)	50.53 (6/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	365.5 (6/6)	146.0 (6/1)	543.6 (19/5/72)	49.4 (26/6/40)
Gold Mines	442.3 (22/5)	280.2 (20/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	July 21	July 18
Daily—		
Gilt-Edged	158.9	144.1
Industrials	149.6	142.2
Speculative	42.2	53.5
Totals	106.9	99.0
5-day Av'ge		
Gilt-Edged	148.0	145.1
Industrials	160.8	174.4
Speculative	46.2	50.8
Totals	[illegible]	115.[illegible]

F.T.—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section.)

	Equity groups	Mon. July 21, 1975: Index No.	Day's Change %	Est. Earnings Yield % (Max. Corp. Tax 52%)	Gross Div. Yield % (ACT at 35%)	Est. P/E Ratio (net) Corp. Tax 52%	Est. P/E Ratio (nil) Corp. Tax 52%	Friday July 18 Index No.	Thurs. July 17 Index No.	Wed. July 16 Index No.	Tues. July 15 Index No.	Year ago (approx.) Index No.	1975 High	1975 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (181)	110.54	−0.8	21.27	7.29	5.99	5.90	111.25	111.61	114.12	114.20	93.49	131.26 (6/6)	51.78 (6/1)	205.87 (4/5/72)	15.70 (13/12/74)
2	Building Materials (30)	94.04	−0.9	19.52	8.37	7.62	7.51	94.88	95.26	97.57	96.84	95.83	117.40 (22/4)	45.11 (6/1)	253.84 (12/5/72)	44.27 (11/12/74)
3	Contracting, Construction (23)	201.22	−0.5	17.81	4.58	8.45	8.45	202.25	205.44	207.19	209.05	153.67	251.81 (23/4)	74.74 (6/1)	389.35 (19/5/72)	71.48 (12/12/74)
4	Electricals (17)	203.43	−0.8	20.33	5.63	7.30	7.28	206.48	206.79	213.24	216.22	170.48	234.64 (6/6)	98.49 (2/1)	550.04 (4/5/72)	84.71 (25/6/62)
5	Engineering (Heavy) (13)	133.69	−1.3	26.30	7.98	5.60	5.60	135.49	135.25	136.39	135.60	107.09	159.79 (22/4)	64.59 (2/1)	202.57 (8/5/73)	64.59 (2/1/75)
6	Engineering (General) (65)	96.69	−0.8	22.91	8.51	6.43	6.43	96.46	97.26	98.86	98.69	75.80	117.40 (6/6)	45.45 (6/1)	168.59 (4/5/72)	45.45 (6/1/75)
7	Machine and Other Tools (9)	38.90	−0.4	18.10	10.59	10.04	10.04	39.06	39.60	40.74	41.46	33.51	48.98 (20/5)	20.11 (2/1)	136.70 (4/7/69)	19.96 (15/12/74)
8	Miscellaneous (23)	102.41	−1.5	23.95	7.65	6.24	6.24	104.01	104.97	106.10	104.55	85.60	121.76 (6/6)	49.65 (6/1)	177.41 (27/4/72)	49.66 (6/1/75)
9	CONSUMER GOODS (DURABLE) (59)	82.75	−1.3	24.03	7.41	6.08	6.07	83.85	84.85	85.00	84.07	78.74	93.16 (6/6)	38.59 (6/1)	227.78 (21/4/72)	38.59 (6/1/75)
10	Electronics, Radio TV etc. (15)	96.43	−1.6	21.03	5.50	7.04	7.03	98.00	99.40	98.64	96.58	93.05	108.34 (6/6)	44.28 (6/1)	257.41 (19/5/72)	48.85 (12/12/74)
11	Household Goods (15)	127.50	−0.9	32.83	8.07	4.45	4.45	128.62	129.00	129.22	129.55	124.51	148.90 (23/4)	64.53 (6/1)	263.22 (4/5/72)	65.92 (17/12/74)
12	Motors and Distributors (27)	43.76	−0.9	34.89	10.58	5.77	5.74	44.16	44.68	45.62	45.79	40.36	50.91 (6/6)	19.91 (6/1)	170.69 (15/1/69)	19.91 (6/1/75)
13	CONSUMER GOODS (NON-DURABLE) (167)	121.15	−1.2	16.56	5.92	8.66	8.62	122.57	123.31	127.00	128.02	101.12	146.45 (6/6)	61.96 (6/1)	226.08 (16/2/72)	61.41 (13/12/74)
14	Breweries (16)	155.72	−1.2	14.87	7.45	10.16	10.16	157.58	158.11	146.07	147.09	111.64	165.63 (8/8)	75.58 (6/1)	281.67 (29/11/72)	69.47 (13/12/74)
15	Wines and Spirits (8)	135.95	−2.6	14.09	7.27	10.71	10.71	139.63	150.52	165.72	166.34	127.80	177.94 (8/7)	80.42 (6/1)	257.40 (13/7/72)	78.88 (13/12/74)
16	Entertainment, Catering (16)	139.11	−0.9	15.94	6.00	9.36	9.35	140.36	140.69	144.76	145.95	105.80	155.44 (27/6)	56.26 (6/1)	329.99 (12/12/72)	54.85 (9/1/75)
17	Food Manufacturing (22)	151.59	−1.9	15.59	6.06	8.81	8.77	153.92	154.10	157.54	159.07	101.99	156.57 (6/6)	62.05 (2/1)	211.65 (1/6/73)	59.77 (11/12/74)
18	Food Retailing (16)	115.61	−0.9	13.64	5.56	10.68	10.68	116.70	116.71	119.10	119.37	91.06	149.17 (4/6)	57.15 (2/1)	235.08 (16/2/72)	54.25 (11/12/74)
19	Newspapers, Publishing (15)	126.32	−1.4	15.85	7.60	8.98	8.95	128.05	128.08	129.44	129.26	118.10	152.14 (6/6)	55.08 (6/1)	260.29 (13/1/72)	55.08 (6/1/75)
20	Packaging and Paper (13)	84.85	−1.2	26.21	8.75	5.60	5.80	86.24	85.68	87.08	87.75	74.18	107.12 (20/5)	45.46 (6/1)	155.69 (22/4/72)	45.46 (6/1/75)
21	Stores (30)	101.49	+0.3	14.22	6.45	10.69	10.69	101.21	101.44	105.15	104.45	87.66	132.94 (20/6)	52.63 (6/1)	204.39 (16/2/72)	52.63 (6/1/75)
22	Textiles (22)	120.62	−1.8	26.75	8.86	4.14	4.04	122.86	122.08	127.04	130.26	119.24	145.07 (27/6)	62.91 (6/1)	253.72 (17/8/62)	62.66 (11/12/74)
23	Tobacco (3)	187.28	−2.0	17.68	7.11	8.41	8.41	191.17	191.68	195.58	193.43	137.14	199.16 (10/5)	109.92 (6/1)	339.16 (2/8/72)	94.34 (13/6/62)
24	Toys and Games (6)	42.47	+1.2	30.81	8.82	4.46	4.46	41.99	42.58	42.40	44.71	36.65	44.08 (6/6)	20.92 (6/1)	135.72 (16/1/70)	20.92 (6/1/75)
	OTHER GROUPS (93)															
25	Chemicals (24)	160.64	−0.4	21.71	5.64	6.60	6.59	161.57	161.34	164.45	166.86	125.26	189.17 (6/6)	73.14 (6/1)	201.92 (31/1/69)	71.20 (11/12/74)
26	Office Equipment (10)	81.16	−0.8	17.86	6.64	7.56	7.56	81.82	85.87	86.35	86.92	92.12	104.78 (17/4)	45.34 (2/1)	246.06 (1/9/72)	45.34 (2/1/75)
27	Shipping (12)	339.86	−0.5	25.21	7.07	5.11	4.96	340.48	340.88	348.44	351.71	294.80	401.84 (10/3)	194.38 (6/1)	517.00 (5/12/72)	90.80 (29/6/62)
28	Miscellaneous (46)	127.72	−0.8	21.21	7.74	6.89	6.89	128.81	130.13	131.85	130.09	112.80	163.68 (6/6)	60.39 (6/1)	258.83 (2/6/72)	60.39 (6/1/75)
29	INDUSTRIAL GROUP (496)	120.28	−0.9	19.51	6.90	7.47	7.46	121.41	122.15	124.96	125.64	102.60	145.48 (6/6)	59.19 (6/1)	220.17 (1/5/72)	59.01 (13/12/74)
30	OILS (4)	282.70	−0.3	26.03	5.37	4.12	3.94	283.44	285.96	291.22	293.81	189.60	296.47 (4/6)	105.83 (2/1)	431.66 (29/5/69)	87.23 (29/5/62)
31	500 SHARE INDEX	133.71	−0.8	20.41	6.65	6.60	6.46	134.82	135.66	138.72	139.55	109.65	156.14 (6/6)	65.49 (6/1)	227.95 (16/2/72)	63.49 (13/12/74)
32	FINANCIAL GROUP (100)	121.00	−1.9	—	5.90	—	—	125.36	125.56	126.06	127.28	106.65	146.46 (20/6)	56.50 (6/1)	241.41 (11/4/72)	55.88 (13/12/74)
33	Banks (6)	138.41	−1.9	26.84	5.69	5.55	5.56	141.11	139.73	142.95	148.66	128.09	177.11 (5/6)	62.56 (2/1)	288.32 (30/7/72)	62.44 (12/12/74)
34	Discount Houses (9)	149.09	—	—	8.11	—	—	149.09	149.09	147.57	147.57	121.61	169.27 (7/3)	84.13 (6/1)	293.13 (12/5/72)	81.40 (10/12/74)
35	Hire Purchase (5)	93.91	−0.7	26.58	9.65	5.00	4.89	94.57	95.58	98.22	91.13	172.07	134.39 (10/3)	42.81 (6/1)	433.72 (14/5/72)	38.83 (11/12/74)
36	Insurance (Life) (9)	102.97	−2.2	—	6.70	—	—	104.67	105.22	107.46	109.61	83.24	127.97 (22/4)	44.88 (2/1)	194.46 (16/3/72)	44.88 (2/1/75)
37	Insurance (Composite) (7)	97.54	−2.7	—	6.77	—	—	100.39	101.01	105.19	102.42	74.02	123.90 (20/6)	44.47 (2/1)	155.76 (21/4/72)	43.96 (13/12/74)
38	Insurance (Brokers) (8)	190.19	−0.9	10.70	4.45	13.90	13.90	191.87	194.02	197.21	197.74	132.23	211.60 (30/5)	68.96 (7/1)	262.57 (12/12/73)	65.86 (16/12/74)
39	Merchant Banks (19)	81.50	−0.3	—	6.72	—	—	81.74	81.93	82.43	82.00	67.26	94.97 (7/3)	31.21 (7/1)	278.57 (1/5/72)	31.21 (7/1/75)
40	Property (32)	162.04	−1.8	4.76	3.70	30.82	29.74	164.93	165.66	169.30	169.11	143.06	241.22 (22/4)	88.19 (7/1)	357.40 (9/11/73)	56.01 (20/4/65)
41	Miscellaneous (5)	66.06	+0.6	16.62	9.75	8.87	8.77	67.63	68.64	69.32	69.32	75.15	75.78 ([illegible])	34.78 (10/1)	303.13 (18/5/72)	33.29 (17/12/74)
42	Investment Trusts (50)	154.62	−0.8	3.26	4.60	30.72	30.72	154.97	155.17	156.66	155.44	114.19	178.53 (6/6)	73.43 (6/1)	246.79 (25/4/72)	71.63 (13/12/74)
43	ALL-SHARE INDEX (650)	131.31	−1.0	—	6.37	—	—	132.63	133.32	136.13	136.93	108.31	154.09 (6/6)	62.16 (6/1)	228.18 (1/5/72)	61.92 (13/12/74)
	COMMODITY GROUPS (Not included in 500 or All-Share indices)															
44	Rubbers (10)	406.20	−2.5	13.97	8.10	10.40	10.32	416.70	422.05	425.84	421.68	308.73	525.43 (23/5)	281.66 (2/1)	555.37 (25/7/73)	84.68 (25/8/65)
45	Teas (10)	102.99	−0.4	35.22	9.98	3.96	3.78	103.38	103.90	104.15	103.67	87.14	104.15 (16/7)	76.76 (10/1)	121.47 (1/6/72)	59.72 (17/10/74)
46	Coppers (3)	349.52	−3.1	56.18	21.61	1.79	1.78	360.57	357.41	362.49	369.81	384.45	467.74 (27/5)	349.52 (22/7)	567.78 (13/7/73)	94.08 (29/4/62)
47	Mining Finance (11)	120.18	−2.7	10.16	4.40	10.78	10.75	123.57	124.25	126.40	126.88	92.34	141.54 (30/5)	80.56 (22/1)	175.90 (28/4/69)	66.51 (30/9/74)
48	Tins (8)	92.94	−0.6	10.97	8.92	11.74	10.08	93.62	93.71	93.90	94.00	71.44	114.49 (5/6)	66.91 (6/1)	125.43 (12/1/73)	54.83 (27/6/71)
49	Overseas Traders (13)	210.65	+0.2	16.49	4.70	7.76	7.76	210.28	212.32	213.97	213.77	—	253.23 (20/5)	97.37 (6/1)	252.23 (20/6/75)	97.37 (6/1/75)

	FIXED INTEREST	Monday, July 21: Index No.	Yield %	Friday July 18	Thurs. July 17	Wed. July 16	Tuesday July 15	Monday July 14	Friday July 11	Thurs. July 10	Year ago (approx.)	1975 High	1975 Low	Since Compilation High	Since Compilation Low
1	Consols 2½% yield	—	13.87	13.76	13.76	13.75	13.75	13.93	14.01	13.81	15.05	—	—	—	—
2	20-yr. Govt. Stocks (6)	50.52	12.89	50.72	51.01	50.58	50.53	50.04	49.68	50.14	47.89	53.09 (20/5)	38.27 (3/1)	115.42 (11/9/63)	38.27 (3/1/75)
3	20-yr. Red. Deb. & Loans (15)	48.07	15.34	47.83	47.70	47.63	47.63	47.31	47.45	46.89	44.57	50.68 (21/3)	37.01 (3/1)	113.43 (28/10/63)	37.01 (3/1/75)
4	Investment Trusts Perfs. (15)	46.25	14.96	44.80	46.26	46.26	45.47	45.47	44.78	43.95	41.83	46.57 (25/5)	35.35 (3/1)	114.41 (13/9/63)	34.45 (4/12/74)
5	Coml. and Indl. Prefs. (20)	66.94	14.28	64.39	65.06	65.71	65.29	64.35	64.30	63.37	56.68	66.98 (20/5)	48.35 (3/1)	114.85 (7/10/63)	47.87 (6/1/75)

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1975 high	1975 low
Furness Withy	£1	17	250	+5	257	111
ICI	£1	13	252	—	302	118
P & O Defd.	£1	11	87	−3	128	59½
Tate & Lyle 'New'	Nil/pd.	11	17*	−1	21*	10*
Commercial Union	25p	10	144	−4	194	72
IMPS	25p	10	66	−1	68½	32
Unilever	25p	10	354	−10	408	170
Metal Box 'New'	Nil/pd.	9	13*	−1	28*	9*
Bowater 'New'	Fly./pd.	8	137	−1	146	122½
BP	£1	8	522	−1	555	190
Charter Cons.	25p	8	165	−10	203	87
Cons. Gold Fields	25p	8	226	−7	290	138
De Beers Defd.	R0.05	8	308	−7	333	161
Distillers	50p	8	112	−3	150	65½
BATS	25p	7	305	−10	338	164

The above list of active stocks is based on the number of bargains recorded yesterday in the Official list and under Rule 163(1) (e).
* Premium.

Option Report—3-month Call rates

OPTION DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
July 22	Aug. 4	Oct. 16	Oct. 28
Aug. 5	Aug. 18	Oct. 30	Nov. 11
Aug. 19	Sep. 1	Nov. 13	Nov. 25

"Calls" were dealt in Brooke Bond, House of Fraser, ICI, Furness Withy, Charterhall Finance, Town and City, Siebens Oil and Gas, Marks and Spencer, National Westminster Bank warrants and MEPC. A "put" was done in Argyle Securities, while a "double" was arranged in Town and City.

Assoc. Leisure	5	G.K.N.	28	Thorn "A"	20	Broken Hill Prp	75
Barclays Bank	35	Hawker Sidd.	30	Tube Invest.	30	Charter Cons.	22
Beecham	28	House of Fraser	10	Unilever	40	Chart'rh'll Fin.	8
Boots Drug	24	Hudson (W'lms)	5	Utd. Drapery	12	Cons Gold	25
Bowaters	20	I.C.I.	24	Vickers	16	De Beers Def.	25
B.A.T.	35	"Imps"	7	Woolworths	6	F. S. Geduld	350
British Leyland	1¼	I.C.L.	7			Great Boulder	12
British Oxygen	6	Inveresk	10	Property		Hampton Areas	15
Burton 'A'	9	Legal & General	17	Cap. Counties	7	Hampton Prop.	4
Cadburys	6	Lloyds Bank	30	E.P.	11	Kloof	140
Courtaulds	14	"Lofs"	7	Int. Europe	7	Lonrho	19
Debenhams	11	"Mams"	9	Land Securities	22	Lorraine	55
Distillers	15	Marks & Sp'ncer	25	Peachey	7	Metals Explor.	5
Dunlop	6	Midland Bank	32	Town & City	6	Poseidon	55
Eagle Star	16	Nat'l West Bank	30	Town & Comm.	7	Pres. Steyn	275
E.M.I.	20	P & O Dfd.	16			Rio T. Zinc	20
First National	5	Plessey	10	Oils		Welkom	55
G.R.A. Trust	7	R.H.M.	7	Brit. Petroleum	45	West Areas	75
Gen. Accident	18	Rank Org. 'A'	25	Burmah Oil	6	Western M'ng.	15
Gen. Electric	14	Reed Int'l	28	Shell	30	Zambia Copp.	10
Glaxo	40			Ultramar	21		

NEW "HIGHS" AND "LOWS" FOR 1975

The following securities (numbers in parentheses) among those quoted in the Share Information Service yesterday attained new "highs" and "lows" for 1975.

NEW HIGHS (16)

NEW LOWS (9)

RISES AND FALLS YESTERDAY

BASE LENDING RATES

AFI International	9½%
Allied Irish Banks Ltd.	9½%
Anglo-Portuguese Bank	10 %
Henry Ansbacher	10½%
Banco de Bilbao	9½%

MONEY MARKET

Exceptional help

Bank of England Minimum Lending Rate 10 per cent. (since May 2, 1975)

Credit continued to be in very short supply in the London money market yesterday and the authorities again gave an exceptionally large amount of assistance. This was made up of large purchases of Treasury bills and Corporation bills from the Discount houses, and by lending a very large amount to seven or eight Discount houses overnight, at Minimum Lending Rate. The banks carried over full balances from Friday, but set against this were: the repayment of Friday's market advances by the authorities, a net market take-up of Treasury bills, an excess of revenue transfers to the Exchequer over Government disbursements, a rise in the note circulation, Commercial bill maturities, and settlements of gilt-edged sales.

Discount houses paid around 9½ per cent. for secured call loans at the start, and during the day some funds were taken at up to 10 per cent.

July 21 1975	Sterling Certificates of deposits	Interbank	Local Authority deposit*	Local Auth. negotiable bonds	Finance house deposits	Company deposits	Discount market deposits
Overnight	—	9¼-11	—	—	—	—	9½-10
2 days notice	—	—	9½-9¾	—	—	—	—

INSURANCE BASE RATES

AUTHORISED UNIT TRUSTS

British Trust (excerpt)

BT Income	159.0	170.0	......	8.92
BT Capital Inc.	25.6	26.7	......	2.45
BT Capital Acc.	25.3	27.0	......	2.45
BT Exempt	77.0	82.0	......	6.53
BT Intl. Inc.	12.8	13.7	......	4.79
♦BT Inter'l Acc.	12.9	15.8	......	4.79

Prices on July 15. Next sub. day July 22.

The British Life Office Ltd.♥ (a)

Reliance Hse., Tunbridge Wells, Kt. 0892 22271

BL British Life	35.7	37.2	−0.2	5.91
BL Balanced*	27.8	29.4	......	6.62
BL Capital*	29.4	31.1	......	4.36
BL Dividend*	25.7	27.2	......	8.97

*Prices on July 16. Next dealing July 23.

G.T. Unit Managers Ltd.♥ (excerpt)

Do. Acc.	60.3	64.2	......	3.70
G.T. Inc. Fd. Un.	92.9	98.8	......	7.80
G.T. U.S. & Gen.	145.9	155.2	......	2.00
G.T. Japan & Gen.	148.0	157.4	......	2.06
♦Gt. Pens.Ex.Fd.	93.8	98.4	......	3.80

G. & A. Un. Tst. Mgrs. Ltd.♥ (a)(b)

5, Rayleigh Rd., Brentwood. (0277) 227300

G. & A.	21.0	22.5	−0.1	5.81

Gartmore Fund Managers♥

2, St. Mary Axe, EC3A 8BP. 01-283 3531

British Trust	29.8	32.0	−0.5	4.50
High Income Tst.	27.8	29.9	......	12.32
(2)Overseas Tst.	25.0	26.9	−0.3	1.63

REGIONAL MARKETS

Following the merger last year of U.K. stock exchanges, a selection of the share prices previously shown under regional headings is presented below with quotations on London. Irish issues, most of which are not officially listed in London, are shown separately and with prices as on the Irish exchange.

Albany Inv. 20p	24	......	Craig Ship. £1	430	......	Shiloh Spinn.	22	......
Ash Spinning	37	......	Hallam Sleigh 10p	7½	......	Sindall (Wm.)	43	......
Bertam	18	......	Higsons Brew.	63	......			
Brady (G.) 'A'	47	......	I.O.M. Stm. £1	120	......	IRISH		
Bdg'wtr. Est. 50p	128	......	Holt (Jos.) 25p	185	......			
Clover Croft	35	......	Kleen-e-Ze	24	......	Alliance Gas (£1)	50	......
Craig & Rose £1	318	......	Lovell's Ship £1	130	......	Carroll (P. J.)	109	......
Dyson (R.A.)	30	+5	N'thn. Goldsmith	82	......	Clondalkin	49	......
Ellis & McHdy.	57	......	P.M.A.	35	......	Concrete Prods.	55	......
Evans F'r'k. 10p.	36	......	Pearce (C. H.)	60	......	Goodbody (£1)	38	......
Evered	16	......	Peel Mills	16	......	Heiton (Hldgs.)	30	......
Fife Forge	47	......	Richards 10p	8½	−½	Irish Distillers	62	+1
Finlay Pkg. 5p	18	......	RobbCaledon5p.	29	......	Irish Wire	40	......
Frost & Reed 50p	88	......	Sayers 12½p	6	......	Jacob	50	......
Gardiner & Sons	11	......	Sheffield Brick	60	......	Sunbeam	11	......
Gardner (L.)	61	+1	Sheff. Refrshmt.	145	......	Unidare	65	......

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

Tyndall Group (excerpt)

Hamilton, Bermuda, & St. Helier, Jersey.

O'seas Dis. July 16	US$1.18	1.25	......	6.00
O'seas Acc. July 16.	US$1.55	1.64	......	6.00
O (Stg.) Dist. July 9.	£7.15	7.55	......	6.00
O (Stg.) Acc. July 9.	£9.45	10.00	......	6.00
3-way Int. June 19	US$2.27		......	—
Int. Man. Fd. Jn. 27	91.2	95.8	......	—

United States Tst. Intl. Adv. Co.,

14, Rue Aldringer, Luxembourg.

U.S. Trust Inv. Fnd.	US$12.66	−0.06	0.95

Net asset value July 18.

S. G. Warburg & Co. Ltd.

30, Gresham Street, EC2. 01-600 4555

Conv. Bond July 18.	$US8.38	10.98	−0.4	—
Conv. Bond July 17.	$US8.42		......	—
Energy Int. July 18.	$US13.07		−0.10	—
Grsh.St.$Fd.Jn30	US$7.52		......	—
TMT Ltd. July 10	£11.74	12.05	......	—

World Wide Growth Management♦

10a, Boulevard Royal, Luxembourg.

World Wide Gth. Fd.	$US12.16	−0.02	—

NOTES

Prices do not include $ premium, where applicable, and are in pence unless otherwise indicated. Yields allow for all buying expenses. a Offered prices include all expenses b Today's prices. c Yield based on offer price. d Estimated. g Distribution free of U.K. taxes. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey yield. ‡ Suspended. ★ Single premium insurance bonds.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1975 High	Low	Stock	£	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅞	94⁵⁄₁₆	Exch.6½pc 1976‡‡	98⅛	......	6.62	9.64
97¾	92⁹⁄₁₆	Treasury 6½pc 1976‡‡	97¼xd	+⅛	6.68	9.27
99	97	Victory 4pc 1976‡‡	99	......	4.08	—
102	96⅞	Treasury 10½pc 1976‡‡	100⅜	+⅛	10.47	10.21
95	88⅞	Treasury 6¼pc 1977‡‡	94⅜	+⅛	6.63	10.07
94⅛	86¼	Electric 3pc '74-77	93¾	......	3.20	7.06
103⁵⁄₁₆	96⅞	Treasury 11½pc '77‡‡	101⅛	−⅛	11.34	10.72
88⅛	84	Treasury 3pc '77‡‡	87⅝	+⅛	3.41	8.83
90⅛	84⅜	Transport 4pc '72-77	89¾	......	4.46	8.79
96⅜	90½	Treasury 9pc 1978‡‡	95⅛	......	9.46	11.17
100⅛	96⅝	Treasury 10½pc '78‡‡	98⅛	−⅛	10.67	11.16
87⅞	79	Exchequer 5pc '76-78‡‡	86	+⅛	5.81	10.25
103	94⅛	Treasury 11½pc '79‡‡	100⅛	−⅛	11.49	11.44
79⅞	71⅛	Treasury 3pc '79‡‡	78⅛	−⅛	3.82	9.48
81	73⅞	Electric 4½pc '74-79	80⅜	......	5.29	10.18
100⅛	96	Treasury 10½pc '79‡‡	97⅞	......	10.75	11.18
79⅞	71	Electric 3½pc '76-79	79¼	......	4.41	9.45
95	84	Treasury 9pc 1980‡‡	92⅛	......	9.77	11.21
95⅛	94⅞	Treasury 9½pc '80‡‡	94⁹⁄₁₆	......	10.00	10.87
79	68¼	Treasury 3½pc '77-80	77	......	4.54	9.46
84½	71	Funding 5¼pc '78-80‡‡	81¼	......	6.46	10.19
		Five to Fifteen Years				
75½	66⅛	Treasury 3½pc '79-81	74½	......	4.68	9.44
91⅛	72⅞	Do 8½pc '80-82‡‡	86⅝	......	9.83	11.51
104⅜	86⅝	Treasury 12pc 1983‡‡	103½	......	12.08	12.11
78	58	Funding 5½pc '82-84‡‡	74½xd	......	7.39	10.05
85¼	61⅛	Treasury 8½pc '84-86‡‡	81⅞	−⅛	10.41	11.48
73¼	51⅛	Funding 6½pc '85-87‡‡	71¼	−⅛	9.31	11.16
76¼	53	Treasury 7¾pc '85-88‡‡	72⅝	−⅛	10.66	12.02
47⅛	32⅞	Transport 3pc '78-88	46¼	−⅛	6.44	10.72
56¼	39¾	Treasury 5pc '86-89	55⅞	−⅛	9.17	11.59
		Over Fifteen Years				
75½	53¼	Treasury 8¼pc '87-90‡‡	71⅞	−⅛	11.61	12.59
57	41⅛	Funding 5¾pc '87-91‡‡	56⅝	−⅛	10.47	12.28
97½	85⅞	Treasury 12½pc '92‡‡	91¾	−⅛	13.66	13.78
55	40½	Funding 6pc 1993‡‡	54⅝	−⅛	11.43	12.77
75¼	54⅛	Treasury 9pc '94‡‡	69⅞	−⅛	13.19	13.70
34⅞	24¼	Gas 3pc '90-95	33⅜	−⅛	9.04	11.78
102	75	Treasury 12¾pc '95‡‡	93⅞	−⅛	13.93	13.97
71⅛	54¾	Treasury 9pc '92-96‡‡	70⅜	−⅛	13.99	13.83
33¼	26⅛	Redp. 3pc 1986-96	33	−⅛	9.35	11.76
94⅛	94⅛	Treasury 13¼pc '97‡‡	94½	−⅛	14.05	14.09
69⅛	53¼	Treasury 8¾pc 1997‡‡	68	−⅛	13.55	13.94
59⅞	40¾	Treasury 6¾pc '95-98‡‡	53¼	−⅛	13.05	13.69
75⅛	54¼	Treasury 9½pc 1999‡‡	69⅜	−⅛	13.73	13.99
31⅛	22	Funding 3½pc '99-04	30	−⅛	11.69	12.58
61⅛	47	Treasury 8pc '02-06‡‡	60⅜	−⅛	13.79	13.92
42⅞	33	Treasury 5½pc '08-12‡‡	42½	−⅛	13.59	13.71
59⅞	43⅛	Treasury 7¾pc '12-15‡‡	55⅞xd	−⅛	13.85	13.89
		Undated				
29¾	22⅛	Consols 4pc	28½xd	−⅛	14.17	—
27¾	20⅛	War Loan 3½pc‡‡	25⅞	−⅛	13.79	—
27½	22⅛	Conv. 3½pc '61 Aft.	27	−⅛	13.50	—
22¼	17½	Treasury 3pc '66 Aft.	21⅞	−⅛	14.29	—
18¼	14¼	Consols 2½pc	18⅛	−⅛	13.88	—
18½	14½	Treasury 2½pc	18⅜	−⅛	14.20	—

**INTERNATIONAL BANK

1975 High	Low	Stock	£	+ or −	Yield Int.	Red.
68	58	5pc Stock '77-82	66½xd	+¼	7.48	12.09
97¼	91½	8pc Stock 1976	97¼	......	8.22	10.86

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ DM Prices exclude inv. $ premium

AMERICANS

S.E. List Premium 57⅝% (based on $2.1726 per £)

CANADIANS

S.E. List Premium 57⅝% (based on $2.2400 per £)
Conversion factor 0.6332 (0.6312)

††BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER & ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Cont.

FOOD, GROCERIES, ETC.

HOTELS & CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

††INSURANCE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

TRUSTS—Continued

Finance, Land, Etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

1975 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
112	56	Botswana RST P2	56	−4	—	—	—
390	196	Messina R0.50	320	−10	†Q60c	2.9	‡

MISCELLANEOUS

1975 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
8½	3	Burma Mine 17½p	8½	......	m0.5	—	1.6
65	17	Charterhall 5p	62	−1	—	—	—
115	75	Colby Mines $1	75¢	......	—	—	—
760	360	Cons. Murch. 10c	670	−10	‡Q130c	2.2	‡
52½	29½	Lamaque	43½	......	—	—	—
19	12	NRD $1	13	−1	—	—	—
375	200	Northgate C$1	225	......	Q65c	1.0	9.9
211	80	R.T.Z.	174	−5	19.9	4.4	4.4
135	47½	Sabina Inds. C$1	80	......	—	—	—
80	51	Stanford Mines R	60	+3	—	—	—
£12½	875	Tara Expln. $1	£10¼	......	—	—	—
78	38	Yukon Cons C$1	67	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures: they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ◊ Figures or report awaited.
- †† Banks and Insurance reserve allocations may preclude calculation of dividend cover.
- § Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Based on 1973 profits.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. M Figures based on prospectus or other official estimates for 1974-75. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 19

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security

FINANCIAL TIMES
Tuesday July 22 1975

Bank earmarks £9.8m. for 'lifeboat'

BY MICHAEL BLANDEN

THE Bank of England has made special provisions of £9.78m. to cover possible losses on its share of the secondary bank "lifeboat" support operation.

The provision, together with an extra £12.12m. to cover pension costs, has cut into the Bank's profits, which otherwise would have been substantially higher at around £35m. for the year ended in February. After taking special provisions into account, the Bank's annual report shows operating profits in the Banking Department up slightly from £12.83m. to £13.04m., with £6m. of this being paid to the Treasury.

The Bank also shows, however, that the high level of inflation in the past year has hit it hard, with separate accounts adjusted for this factor producing an operating loss of £4.32m. against a profit of £6.53m. in the previous year. The biggest reason for this is the effect of adjusting to "current purchasing power" in producing a fall in the real value of the Bank's monetary assets.

Less than total

The bad debt provisions, it is shown, include both specific and general provisions. The figure of £9.78m. is less than the total for the lifeboat since this has been offset by a reduction in the provision required against British Government securities. In the previous year no special provisions were shown, the provision for losses being charged against reserves.

The bad debts relate to the Bank's contribution of some 10 per cent. of the funds provided by the lifeboat, which have run at a total of some £1.2bn. On this basis, the Bank's actual commitment would be some £120m., but recent events, including the planned take-over of Mercantile Credit by Barclays Bank, have brought the prospect of a significant reduction in the commitment.

The report also shows that a revaluation of Bank's Issue Department assets at the end of February, produced a book profit of some £144m. on its holding of British Petroleum stock acquired from Burmah Oil for some £179m. in January. The profit, the report states, was transferred to the Government for account of the National Loans Fund.

Support operation

Commenting on the Burmah support operation, the Bank points out that the initial plan was for the company's unpledged holdings of BP and Shell Transport and Trading shares to be charged to the Bank as security. However, "in the light of further information and of the development of Burmah's estimated cash requirements for 1975, the plan was changed." The Bank then bought 77.82m. BP shares from Burmah.

Discussing the gilt-edged market, the Bank states that it sold a net £2.18bn. of stock to the public during the 1974-75 financial year, approaching the £2.2bn. sold in 1971-2. However, the total was wholly accounted for by domestic buyers other than banks, with both overseas holders and U.K. banks being net sellers. The increased Government borrowing requirement was also reflected in offers of £6.82bn. of Treasury bills during the year under review, against £4.99bn.

OECD REPORT CONFIRMS LAST WEEK'S WHITEHALL FORECAST

Unemployment 1½m. next year

BY WILLIAM KEEGAN, ECONOMICS CORRESPONDENT

UNEMPLOYMENT in the U.K. is likely to rise to 1½m. by mid-1976 according to the Paris-based Organisation for Economic Co-operation and Development.

But if the Government's incomes policy proposals are implemented, the rate of inflation could come down dramatically from an estimated annual rate of 23¾ per cent. in the current half year to 10 per cent. a year in January-June, 1976, the OECD states.

These figures were given by OECD economists in Paris yesterday as an updated version of the forecasts for the U.K. published in the July edition of the twice-yearly OECD Economic Outlook, also published yesterday.

OECD forecasts are prepared in collaboration with member Governments of the 24-member international organisation, and the 1½m. is the first official confirmation of the internal Whitehall forecast published in the Financial Times last week.

The OECD says in its report that in the medium term, incomes policies will enable countries simultaneously to fight inflation and keep employment higher than it would otherwise be.

But in the short term, the pay curbs are likely to stunt private consumption and cut back business activity, OECD economists warned yesterday.

The 1½m. unemployment forecast compares with a calculation that the figure would have reached nearly 1¾m. before considering the effects of the pay curbs, OECD sources said yesterday.

The OECD estimate of the effect of the incomes policy on prices can be seen from the fact that the forecast of 10 per cent. a year increase in consumer prices in the first half of 1976 compares with a projection of 17½ per cent. made in the Economic Outlook.

The OECD was in any case forecasting that the deepening U.K. recession would see gross domestic product falling at an annual rate of some 2¾ per cent. during the current half-year, before recovering only slightly to grow at an annual 1¼ per cent. in the first half of 1976.

The revised forecast is that GDP will fall at an annual rate of 3 per cent. in the current half-year, rising by slightly under 1 per cent. a year in the first half of 1976.

On the balance of payments front, the OECD takes a more optimistic line than the Treasury takes publicly. It envisages a sharp reduction from $9bn. in 1974 to $3¾bn. in 1975 in the current account deficit.

An increase in the import bill between the first and second halves of this year is expected to be accompanied by tougher conditions for U.K. exporters in world markets, leading to an increase in the deficit between the first and second halves of this year from $1½bn. to $2½bn.

OECD forecasts slow recovery for West, Page 7

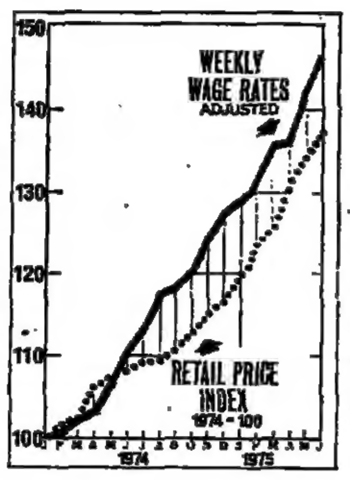
Wages increase by 32% in 12 months

BY MICHAEL BLANDEN

BASIC WEEKLY wages rose by 3 per cent. between May and June, bringing the annual increase to 32.2 per cent.

About half of the increase in wages between the two months was due to the second stage of increases for workers under national agreements in the building and civil engineering construction industries.

There were also contributions from settlements for certain workers in the chemical and allied industries, iron and steel manufacture, general printing, and the motor vehicle retail and repair industry.



Previous months

The figures for the previous month have also been revised upwards—as has been the recent pattern—as a result particularly of backdated payments under the railways settlement. This accounted for about half of an upward revision of 0.4 per cent. in the May index. This leaves the May rise at 3.6 per cent. compared with the previous month, and 33.1 per cent. over the previous 12 months.

It would probably be wrong, however, to interpret the latest figures as indicating a slight reduction in the pressure in June, and there are similar difficulties in interpreting the average earnings statistics which come out a month behind the wage rates.

The May index of average earnings, seasonally adjusted, shows a modest rise of 0.9 per cent. compared with the previous month, and of 28.3 per cent. against the previous year. This compares with a year-on-year increase of 30.7 per cent. in April.

However, the figures have recently been affected by a number of special factors, and the April comparison is exaggerated by the effects of the overtime ban in engineering a year before. Overall, it looks as if for the past few months the year-on-year rate of increase in earnings has been running fairly steadily at about 28 per cent., with this figure lagging behind wage rates mainly because of increased short-time working.

At the same time there are signs of a developing recession in the retail trade, which until recently has held up quite well. The provisional estimate of the volume of retail sales for June (1971=100, seasonally adjusted) shows a recovery from the depressed May level. The index is up from 102.5 to 105, a gain of some 2 to 3 per cent.

Sales pattern

However, this follows a period when the pattern of sales was affected by the Budget, with the pre-Budget boom pushing the index up to an exceptional 120.2 in April followed by a setback.

Mrs. Shirley Williams, Prices and Consumer Protection Secretary, reaffirmed in the Commons the Government's determination to cut the rate of inflation, telling the Commons that monthly increases during the winter would not be above 1 per cent.

The Government was determined to bring inflation down to 10 per cent. by the third quarter of 1976, she said.

Three Government defeats in Lords

By John Hunt

THE GOVERNMENT suffered three heavy defeats on the Committee Stage of the Industry Bill in the Lords last night when two Conservative amendments and one Liberal amendment were passed with large majorities.

The most important reversal was approval of a Tory amendment cutting out the crucial paragraph in the Bill giving the National Enterprise Board the task of extending public ownership into profitable areas of manufacturing industry. The amendment was approved by an Opposition majority of 34 (71-37).

Another Conservative amendment passed by a majority of 32 (73-42) prevents the NEB establishing industrial undertakings on its own.

The Liberal amendment went through with a majority of 35 (85-50). It changes the section of the Bill which lays down that the NEB should "provide, maintain and safeguard" employment in any part of the U.K. The amendment stipulates that this should apply only to "productive employment."

The Government will try to reinstate the Bill in its original form when it returns to the Commons.

Sri Lanka buys two plantations

BY DAVID BELL

SRI LANKA, which last week announced that it was planning to take over all remaining British-owned tea estates in the land, has bought two small plantations from their British owners for an undisclosed amount.

This purchase of one tea estate and one rubber plantation, is not connected with the Government's nationalisation plans, which were to have been discussed later this week in Colombo. Mr. Geoffrey de Glanville, president of the Ceylon Association, which represents the planters, was to have flown out to Sri Lanka at the week-end, but his visit has now been postponed at the request of the Sri Lanka government.

More than 70 companies are likely to be affected by the nationalisation, which follows criticism in Britain, on television and in Parliament, of conditions on some of the estates. Among the British companies with estates on the island, which produces one third of the world's tea, are Lonrho, Harrisons and Crosfield, Clairmace and Crosby House.

News Analysis Page 7

'Green pound devaluation' may be staggered by product

BY ROBIN REEVES

BRUSSELS, July 21.

"DEVALUATION of the green pound" by 5 per cent. may be staggered by product if proposals to a working group of the EEC Council of Agricultural Ministers, which opens its two-day meeting here to-day, are accepted.

Mr. Fred Peart, Minister of Agriculture, has apparently indicated that he would prefer the green pound devaluation—wtih the practical effect of raising guaranteed prices to British farmers and cutting the EEC's £15m.-a-month subsidies on U.K. food imports—not to apply to beef for the time being.

His principal concern is to obtain an early move in the dairy products sector. The green pound is the exchange rate between sterling and the EEC's notional currency, the unit of account, for agricultural purposes.

The Brussels Commission is evidently sympathetic to the argument that to apply the devaluation to the beef sector now will increase the attractiveness of selling to intervention, and therefore add unnecessarily to the Community's beef "mountain."

There were suggestions that the impact of the devaluation on cattle and beef might be delayed until January 1.

Irish role

The final shape of any green pound agreement will be influenced by Ireland's attitude. Mr. Mark Linton, the Irish Farm Minister, is said to be ready to support the 5 per cent. devaluation sought by Mr. Peart and not, as is traditional, press for more. However, Ireland's main preoccupation at present is to strengthen the market for beef rather than milk.

Sig. Giovanni Marcora, the Italian Farm Minister, who assumes the role of Council President for six months, urged his colleagues at the meeting to weigh up seriously the possibility of the Community adopting a policy of income supplements for farmers.

Sig. Marcora placed his call for what is basically a deficiency payments system of agricultural support, used in Britain before Common Market entry, in the context of the forthcoming debate on the "stocktaking" of CAP. This is expected to get under way in earnest after the summer break.

Weather

U.K. TO-DAY

A DEPRESSION will move eastwards towards western Scotland and cloudy weather with rain will move eastwards affecting most areas. But there will be bright periods in eastern areas at first and southern districts will be warm.

London, S.E. England, E. Anglia, Channel Isles

Mainly dry with sunny periods but perhaps rain later. Wind westerly moderate. Max. 22C (72F).

Central Southern England, the Midlands, Central Northern England

Bright periods at first followed by rain. Wind S.W., moderate or fresh. Max 22C (72F).

N.E. England, Borders, Edinburgh and Dundee

Sunny periods at first, rain later. Wind westerly. Max. 20C (68F).

S.W. England, S. Wales

Cloudy, hill and coast fog, probably rain later. Wind S.W., fresh or strong. Max. 22C (72F).

N. Wales, N.W. England, Lake District, Isle of Man, S.W. Scotland, Northern Ireland

Cloudy with outbreaks of rain and S.W. moderate or fresh winds. Max. 19C (66F).

Aberdeen, N.E. Scotland, Orkney, Shetland

Sunny periods and showers with rain later. Max. 16C (61F).

Outlook: Changeable. Rain at first becoming brighter with showers and sunny intervals.

Lighting-up: London 21.34, Manchester 21.52, Glasgow 22.14, Belfast 22.14.

BUSINESS CENTRES

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Alexandria	S	32	90	Madrid	S	33	91
Amstrdm.	C	21	70	Manchstr.	C	18	64
Athens	S	34	93	Melbourne	F	12	54
Bahrain	S	38	100	Mexico C.	S	19	66
Barcelona	S	28	82	Milan	S	29	84
Belfast	C	16	61	Montreal	C	22	72
Belgrade	F	26	79	Moscow	R	17	63
Berlin	C	17	63	Munich	C	20	68
Birmghm.	F	19	66	Newcastle	C	19	66
Bristol	F	19	66	New York	C	27	81
Brussels	C	19	66	Oslo	F	22	72
Budapest	F	20	65	Paris	F	22	72
B. Aires	C	13	55	Perth	F	17	63
Cairo	S	36	97	Prague	F	19	66
Cardiff	S	18	64	Reykjavik	R	8	46
Cologne	C	20	68	Rio de J'o	S	20	68
Copnhagn.	C	22	72	Rome	S	28	82
Dublin	C	18	64	Singapore	S	30	86
Edinb'gh	C	17	63	Stockholm	S	28	82
Frankfurt	F	21	70	Strasb'g	Th	18	64
Geneva	C	17	63	Sydney	F	16	61
Glasgow	C	15	59	Tehran	S	35	95
Helsinki	F	22	72	Tel Aviv	S	29	84
H. Kong	C	29	84	Tokyo	C	30	86
Jo'burg	S	20	68	Toronto	C	23	73
Lisbon	S	25	77	Vienna	C	22	72
London	F	20	68	Warsaw	C	20	68
Luxembg.	C	20	68	Zurich	R	17	63

HOLIDAY RESORTS

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Ajaccio	S	26	79	Las Plms.	S	30	86
Algiers	S	32	90	Locarno	F	25	77
Biarritz	S	23	73	Luxor	S	41	106
Blackpool	F	18	64	Majorca	S	30	86
Bordeaux	C	23	73	Malaga	S	26	79
Boulogne	F	17	63	Malta	S	29	84
Casablnca.	F	23	73	Nairobi	S	23	73
Cape Town	C	19	66	Naples	F	30	86
Corfu	S	31	88	Nassau	S	30	86
Dubrovnik	S	28	82	Nice	S	27	81
Faro	S	29	84	Nicosia	S	29	84
Florence	S	31	88	Oporto	F	21	70
Funchal	S	24	75	Rhodes	S	30	86
Gibraltar	F	23	73	Salzburg	Th	17	63
Guernsey	F	17	63	Tangier	F	22	72
Innsbruck	C	21	70	Tenerife	S	33	91
Inverness	C	16	61	Tunis	S	31	88
I. of Man	C	17	63	Valencia	S	30	86
Istanbul	S	29	84	Venice	S	28	82
Jersey	F	18	64				

S—Sunny. F—Fair. C—Cloudy. R—Rain. Th—Thunder.

Budget rush boosted spirits sales by 81%

By Our Industrial Staff

THE pre-Budget buying boom is reflected in the latest Customs and Excise statistics which show withdrawals from bond of spirits in April were 81.5 per cent. ahead of those for the same month in 1974.

The 3.678m. gallons of spirits taken from bond during April distorted the four-month figures, pushing them up by a shade under 10 per cent. compared with January-April last year to 8.84m. gallons.

Scotch whisky is still by far the most popular spirit in the U.K. and accounted for more than half the tax payments in both April and the four month period. In April alone clearances were up 86 per cent. to just over 2m. gallons and over the four months showed an 11 per cent. improvement to 4.685m. gallons.

Immature spirits—mainly gin and vodka—made an 83.56 per cent. gain in April to 938,000 gallons, bringing the running total to 2.2m. gallons, 20.69 per cent. ahead of last year's period.

Brandy tax payments were up by 52 per cent. in April to 224,000 gallons but the January-April results were still 4 per cent. down at 619,000 gallons. Rum advanced 81 per cent. in April to 366,000 gallons and the running total was 1.85 per cent. below last year's at 952,000 gallons.

Continued from Page 1

Reserve pay powers

growth still further in the current year, by making immediate cuts in expenditure already under way. "I do not think there would be any justification for this at a time when our economy is working well below capacity and unemployment is rising. In these circumstances there would be little chance of absorbing into other employment the manpower and resources released by such cuts."

Immediate cuts in food and housing subsidies, apart from adding further to unemployment, could only push prices up further, he added, at a time when everyone agreed it was vital to get the support of the British people for pay restraint.

The Chancellor argued, however, that in the current year the planned rate of growth of public expenditure had already been cut back to about 1½ per cent. and the plan for programmes in 1976-77 was actually 1 per cent. lower in cost than for the present year. He concluded: "In course of the current normal annual review of all expenditure programmes over the next five years, the Government will be seeking further substantial economies in these programmes, particularly in 1977-78 and 1978-1979. If we adhered to earlier plans (in Command 5879) public expenditure in 1977-78 would then be about £1.25bn. higher at 1974 Survey prices, than the reduced level now planned for 1976-77. This would be quite unrealistic."

On cash limits in the public sector, the Chancellor said the Government was working on the introduction of an extensive system of such limits next year, in areas where it would help to reinforce the existing system of control in constant prices.

"Wherever these limits apply, Departments will have to live within the cash limits allocated to them, and additional allocations will be considered only in quite exceptional cases. The general aim will be that apart from unsuitable programmes like social security benefits, cash limits will be applied to all central government expenditure, capital as well as current."

Earlier, Mr. Healey attacked local authority current expenditure, where expenditure had not been kept in line with estimates. "In each of the four years up to 1974-75, the total of this expenditure has been considerably higher than the amount provided for. In 1973-74, the growth of local authority expenditure was nearly 30 per cent. higher than planned.

"In both 1972-73 and 1974-75, it was over 50 per cent. higher. We are now improving our arrangements for the monitoring and control of this expenditure."

THE LEX COLUMN

The Bank's gilt-edged policy

"The pressing need in the closing months of 1974 seemed to be the restoration of confidence to financial markets." Thus the annual report of the Bank of England describes official policy near the market lows for gilts and equities, and provides a sharp contrast with the approach the Bank has taken in recent weeks. When the one-time long tap Treasury 12½ per cent. 1995 sold out in the second half of January it was not replaced immediately because of the desire "not to inhibit reductions in market yields." The F.T.-Actuaries 20-year gilts index rose by a quarter in under three months. But in its eagerness to sell stock this month the Bank has produced a severe bout of indigestion, in the money market as well as the gilt-edged market.

It would be asking a great deal for the Bank to pitch its terms exactly right in conditions of wildly changing confidence. But the cascade into the "cheap" Treasury 13¼ per cent. 1997 was the result of its unwillingness to price the stock above the market and hence lead interest rates down. Long yields, after all, are still higher than they were in March.

Perhaps the Bank will now relax a little, having made some progress towards its intimidating gilt sales target for the current financial year. But guidance on current problems is not something to be expected from such a naturally secretive institution. Provisions of almost £10m. on support lending, for instance, are skated over in two sentences.

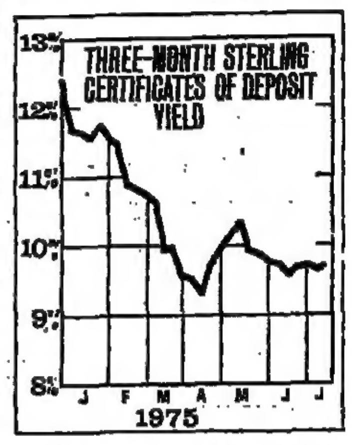
The report does, however, give some topical reminders of the pressures faced by banks from inflation. The CPP accounts of the Banking Department turn an operating profit of £13m. on the historic cost basis into a loss of £4.3m., with the purchasing power loss on net monetary items emerging at £13.6m. against £6m. in 1973-74. And the Bank has again had to top up its pension scheme by £12m. to update "previous actuarial assumptions." That is over £1,700 per employee.

Estates House

The long saga of the Lowson group reorganisation is gradually drawing to a close. To-day marks the introduction of Estates House Investment Trust, into which 15 investment companies and four dealing operations have been merged; and to judge by the share prices of its quoted constituents, the new trust will start life at a price of roughly 185p. At present values, that would represent a discount of 35 per cent. on fully diluted net worth, which compares with an investment trust average of about 28 per cent. and a point or two less than that for funds of this size.

Index fell 2.3 to 296.6

This big discount is, of course, to do with the unconventional portfolio. The strategic investments, like Anglo-Thai, account for just over a quarter of gross assets, and Sterling and Dollar Areas (SADA) makes up another tenth. Sorting this lot out will plainly take time. However, the management has promised to keep the possibility of unitisation or liquidation under review, and the big holdings seem bound to be turned into cash at some time or another. That hope provides a platform for the shares: meanwhile discussion about the Lowson family's 41 per cent. holding in SADA are apparently making steady progress.



See also Page 18

Dowty Group

Dowty Group's margins stayed depressed for the whole of last year but volume rose a tenth and since the final quarter of 1973-74 had been hit by the miners' strike the group has managed to emerge from 1974-75 in very solid style. Profits are 6 per cent. higher at £9.45m. pre-tax after a 5 per cent. decline half-way through the year.

The big Chinese contract—taken 2½ years ago at fixed prices—has now been completed, and the level of orders currently for mining equipment is looking very impressive. Industrial hydraulics and precision seals (say a fifth of turnover last year) remain sluggish and the aviation side is just about level-pegging in terms of volume. But mining supply orders have risen by something like 50 per cent. in real terms during the past year. The major impetus has arisen overseas with demand from the U.S. and South Africa, especially, gathering pace along with the switch in world energy requirements away from oil. There are no earnings forecasts for the current year. But Dowty has learnt its fixed pricing lessons and any squeeze on the NCB—where margins have been improved—is not going to affect 1975-76.

As for the balance sheet, group net borrowings have jumped from £3.1m. to £6.8m. but that still leaves debt at less than a fifth of net worth—and the short-term element is down from £3m. to just over £1m. At 93p the yield is 8.3 per cent. and covered 2.6 times; on volume counts the shares have an anti-cyclical flavour.

See also Page 18

Westland

The immediate question about Westland's £4.4m. rights issue is whether John Brown will subscribe on its full 21 per cent. holding. It would seem an improbable move. The investment is currently worth £3.9m.—or more than half Brown's own market capitalisation and this year it will produce gross income of only £390,000. Westland is not treated as an associate, and in Brown's current situation it would be reasonable to treat the shareholding as a source of funds.

Westland itself fell 4p to 40p yesterday, narrowing the underwriters' discount from 25 to 17 per cent. At this level, the ex rights yield is just over 10 per cent. But a five-week strike has obviously had some impact on its hopes for higher profits in 1974-75. Last year — when the pre-interest return on capital employed averaged just 12½ per cent. — the net increase in working capital alone absorbed a sum equivalent to roughly three times the proceeds from this rights issue.

See also Page 18

Tabloid Scottish Daily News

By Chris Baur, Scottish Correspondent

THE Scottish Daily News, the worker-directed Glasgow-based newspaper, launched at the beginning of May, is to remodel itself from a broadsheet to a tabloid-sized newspaper from August 18.

Yesterday's announcement follows an extensive readership survey undertaken for the paper by the opinion research organisation, System Three (Scotland). This showed a decisive market preference for the smaller-sized paper, according to the company.

Mr. Eric Tough, general manager of the Scottish Daily News, which is supported with a £1.2m. Government loan, said the workers' co-operative had always wanted to produce a tabloid newspaper but had been unable, until recently, to investigate the technical problems of converting the existing broadsheet production equipment.

The conversion is the paper's latest effort to halt rapidly-dwindling sales. It began life with a circulation of over 300,000 but this has now fallen back to an audited average figure of 150,000 copies a day.

Advertising rate

The present circulation is well below the level which the Government's assessors estimated was necessary for the project to be viable. The paper was launched by former employees of the Beaverbrook Group, 1,800 of whom were made redundant in April last year when the group transferred publication of its Scottish Sunday and Daily Express from Glasgow to Manchester.

In line with the lower circulation figures, the Scottish Daily News has decided to reduce its advertising rate from £2.75 to £2 per column centimetre.

Mr. Tough said: "At 150,000 copies a day, we can easily break even, given a certain level of advertising which is well within our physical capabilities. Admittedly, the level of advertising has been a little bit less than we would have liked."

Registered at the Post Office. Printed by St. Clements Press Ltd. for and published by the Financial Times Ltd., Bracken House, Cannon Street, London EC4P 4BY.